



MVIRDC
WORLD TRADE CENTRE **MUMBAI**
RESEARCH STUDY



**ACCELERATING
MAHARASHTRA'S
EXPORT
COMPETITIVENESS**



Bharat Ratna Sir M. Visvesvaraya

(15 September, 1860 - 14 April, 1962)

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Foreword



Mr. Hemant Nerurkar
Former Managing Director,
Tata Steel Ltd.
Chairman, Crompton Greaves
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Maharashtra has been India's economic powerhouse owing to its strategic location and investment-friendly climate. The state promises huge export and growth potential by housing major industries such as petroleum refining, automobile, pharmaceutical and plastic products manufacturing, food processing etc. and supporting infrastructure. Although it has a very high share in India's total exports, its share in global trade is marginal.

MVIRDC World Trade Centre Mumbai has made a sincere effort in assessing Maharashtra's investment and export potential vis-à-vis other states and pointed out its lacunae in terms of infrastructural availability such as length of national highways, per capita availability of power, cost of power for industrial consumers, etc.

The study is comprehensive in that it compares the value of new projects announced, projects completed and projects under implementation in major export-oriented industries of Maharashtra with other states. The study further analyses Maharashtra's infrastructural availability compared to other major states in India.

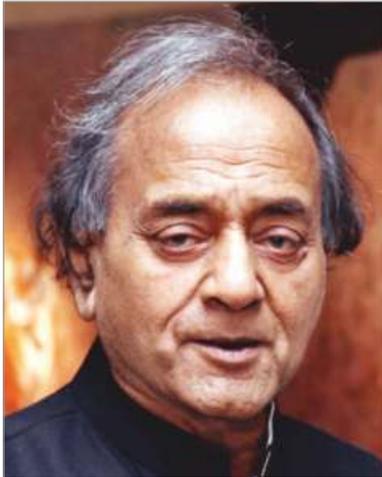
As per the study, Maharashtra has well-developed export infrastructure such as major and minor ports, container freight stations, inland container depots, and notified and exporting SEZs. However, the state lacks balanced regional development which creates severe strain on its major cities.

The study further identifies Maharashtra's position in terms of government policies like ease of doing business, priority sector lending to agriculture, MSMEs and export credit, VAT charged on petrol and diesel etc.

The study makes effective policy recommendations such as increasing investments in heavy industries, rationalizing taxes on petroleum products, developing minor ports with multi-modal logistics, promoting exports through e-commerce, increasing outreach programmes with participation from districts, encouraging rural participation through cluster development programmes etc. to accelerate Maharashtra's export competitiveness.

I applaud MVIRDC World Trade Centre Mumbai for its diligent efforts in carrying out the study and encourage it to continue such endeavours.

Preface



Mr. Kamal Morarka
Chairman
MVIRDC World Trade Centre
Mumbai

Maharashtra is one of the front runners in terms of investments in various industries and access to infrastructure, thus making it competitive among the developed states in India. However, India ranked twentieth in the world in merchandise exports in 2016 and eighth in commercial services. Its share in world merchandise exports in 2016 was only 1.65 per cent, while its share in world commercial service exports was only 3.35 per cent. Maharashtra's share in India's total exports is about 25 per cent.

Considering the need to enhance Maharashtra's, and thereby India's export competitiveness, MVIRDC World Trade Centre Mumbai has initiated this Research Study which compares Maharashtra with the other states in India in terms of value of new project announcements, projects completed and projects under implementation in the last financial year and in the last five years in the nine major export-oriented industries of Maharashtra. The study finds that while Maharashtra shows good investment potential in industries such as textile, food and agro-based products, drugs and pharmaceuticals, and plastic products, it is a relatively slow runner in heavy industries such as petroleum products, metal and metal products and machinery.

Maharashtra should, therefore, step up new investments in heavy industries and expedite their completion so as to garner large projects in the state. Further, there is a strong need to bring about regional development so as to bring equitable distribution in the profits earned by the state. There is also a need to develop the minor ports like Dighi port and the surrounding area with multi-modal logistics to ease pressure on the major ports. The government's thrust to major infrastructure development projects such as Sagarmala, Bharatmala, DMIC and DFC can improve inter-state connectivity and augment exports in the state.

In order to leverage the specialization of the various regions of Maharashtra, the Industries Department of the Government of Maharashtra must conduct outreach programmes such as awareness workshops and training programmes on international trade across various districts and villages. The Government of Maharashtra should also have a dedicated policy to promote exports. And it should further expedite reforms to attract investments in the state.

We hope the study creates value to its users and ushers initiatives by the government to accelerate Maharashtra's export competitiveness.

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Disclaimer: MVIRDC World Trade Centre Mumbai has taken utmost care in the preparation of this document in terms of validity or authenticity of the information included. We hereby declare that we can in no way be held responsible for the legitimacy of the information. The information has been sourced from relevant stakeholders and publicly available secondary data.

Executive Summary

Maharashtra is one of the foremost states of India in terms of investments, exports and its contribution to the GDP. The state attracts huge FDI owing to its investor-friendly policies, proactive governance and infrastructure availability. Cities such as Mumbai, Thane and Pune are home to major industrial activity and have become prominent business hubs. Maharashtra is also home to major ports such as JNPT, MbPT and minor ports such as the Dighi port. The much-awaited Delhi Mumbai Industrial Corridor and Dedicated Freight Corridor can further accentuate its competitiveness.

The study 'Accelerating Maharashtra's Export Competitiveness' conducted by MVIRDC World Trade Centre Mumbai presents useful insights on the competitiveness of the state vis-à-vis the other states in India in terms of investments in heavy industries such as petroleum products, metal and metal products, machinery and transport equipment as well as other major industries such as textile, food and agro-based products, drugs and pharmaceuticals, plastic products and information technology. The analysis is important as these industries constitute the major exports of Maharashtra and enhancing investments in these industries can aid the state in garnering a larger pie of the global trade wherein India's share is nominal right now.

Infrastructure availability is one of the precursors for industrial development. The study suggests that although Maharashtra is one among the front runners in terms of infrastructure-readiness in absolute terms, there is still unmet demand due to its huge population and per capita infrastructure consumption can be improved. The study further identifies Maharashtra's competitiveness in terms of its export infrastructure in comparison to other states and assesses the investment-friendliness of government policies such as ease of doing business, priority sector lending and VAT on petroleum products.

The study emphasises on the need for balanced regional development in Maharashtra, highlights the importance of having a dedicated export policy for Maharashtra and advocates a four-tier institutional mechanism for its export promotion with representation from state and district export promotion councils from each district. The study also recommends skill enhancement, encouragement of R&D and promoting entrepreneurship in the state to enhance its competitiveness and suggests steps to promote exports through e-commerce. It brings to the fore important aspects of Maharashtra's economic development and propagates how Maharashtra can accelerate its export competitiveness in order to increase its footprint in international trade.

Overview

Maharashtra is the second-most populous state in India and is highly urbanized with 45.2 per cent people residing in urban areas. The Gross State Domestic Product of Maharashtra constitutes about 15 per cent of the GDP of India. As per the Economic Survey of Maharashtra 2016-17, advance estimates of Real Gross State Domestic Product for FY 17 were tagged at Rs. 18.15 lakh crore, a 9.4 per cent increase over the previous year as against the estimated growth of the Indian economy at 7.1 per cent during the same period. The 'Agriculture & Allied Activities' sector in Maharashtra is expected to have grown by 12.5 per cent in FY 17, whereas 'Industry' is expected to have grown by 6.7 per cent and the 'Services' sector by 10.8 per cent over the previous year.

Between August 1991 and November 2016, 19,437 industrial proposals with a proposed investment of Rs. 11.38 lakh crore were approved in Maharashtra, of which 8,664 projects (44.6 per cent) with a proposed investment of Rs. 2.7 lakh crore (23.7 per cent) were commissioned. The Export-Import Bank of India sanctioned financial assistance of about Rs. 2,012 crore in FY 16 and disbursed about Rs. 2,516 crores. As per the provisional results of Annual Survey of Industries 2014-15 released by the Government of India, the state was at the top position in terms of Gross Value Added (Rs. 2.4 lakh crore) which was 20.5 per cent of Gross Value Added at the all-India level. As at July 2017, Maharashtra had 297,272 MSMEs registered under Udyog Aadhaar Memorandum (UAM), the new system of online registration of MSMEs.

Maharashtra had the highest share among major states in terms of Industrial Entrepreneur Memorandum (actual private non-MSME investments) in the years 2015 and 2016. It stood next only to Madhya Pradesh in this regard in 2017 (upto July).

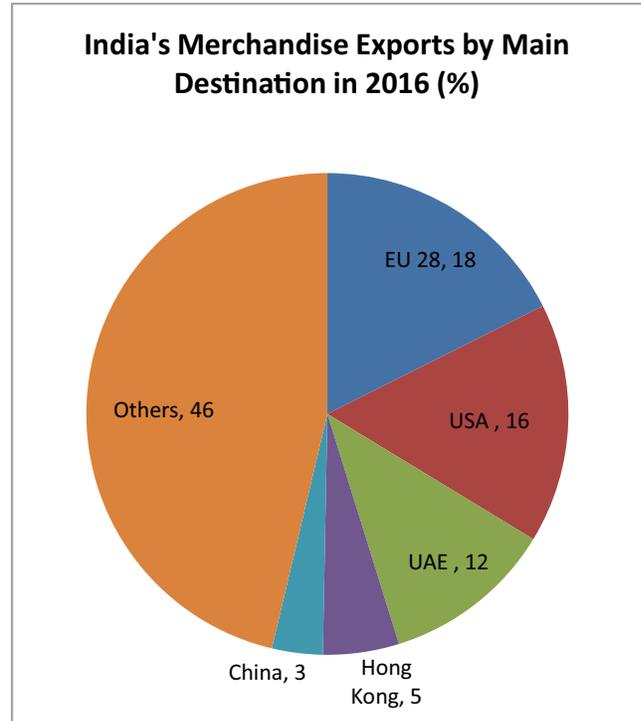
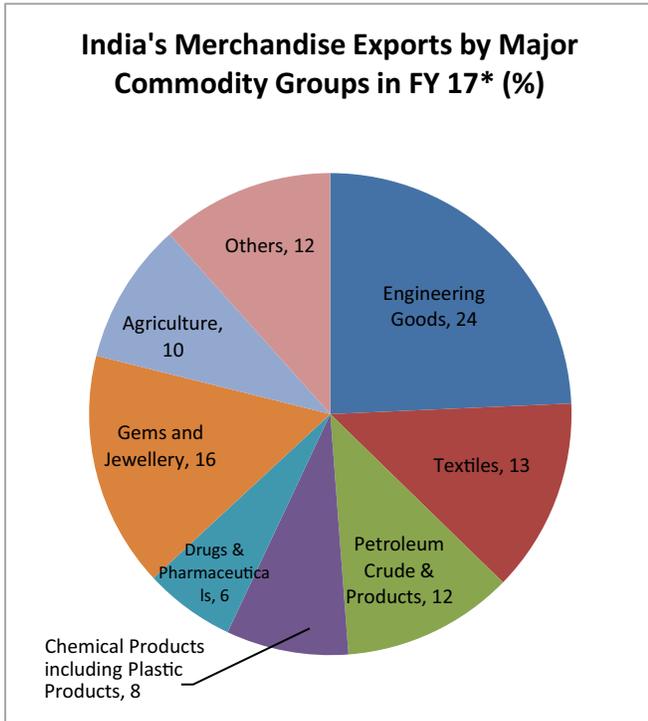
STATUS OF INDUSTRIAL ENTREPRENEUR MEMORANDUM IMPLEMENTATION						
(Actual Private Investment Reported in Major States in the non-MSME sector)						
	2015	2015	2016	2016	2017	2017
	(Rs Crore)	(% of Total)	(Rs Crore)	(% of Total)	(upto July)	(upto July)
					(Rs Crore)	(% of Total)
Andhra Pradesh	4542	5.8	11395	11.3	2610	6.9
Gujarat	5991	7.7	8267	8.2	4627	12.2
Karnataka	13780	17.7	9162	9.1	1379	3.6
Madhya Pradesh	17277	22.2	2823	2.8	8565	22.6
Maharashtra	18854	24.2	40588	40.4	8128	21.4
Odisha	538	0.7	769	0.8	144	0.4
Rajasthan	3918	5.0	7277	7.2	1140	3.0
Tamil Nadu	501	0.6	4793	4.8	1274	3.4
Telangana	494	0.6	2405	2.4	1545	4.1
Uttar Pradesh	1791	2.3	522	0.5	889	2.3
West Bengal	983	1.3	3433	3.4	947	2.5
All India	77972	100	100537	100	37955	100

Source: Department of Industrial Promotion and Policy, Government of India

Note: Non-MSME sector represents companies that invest more than Rs. 10 crore in the manufacturing sector and more than Rs. 5 crore in the service sector.

Maharashtra's Export Profile vis-à-vis India's

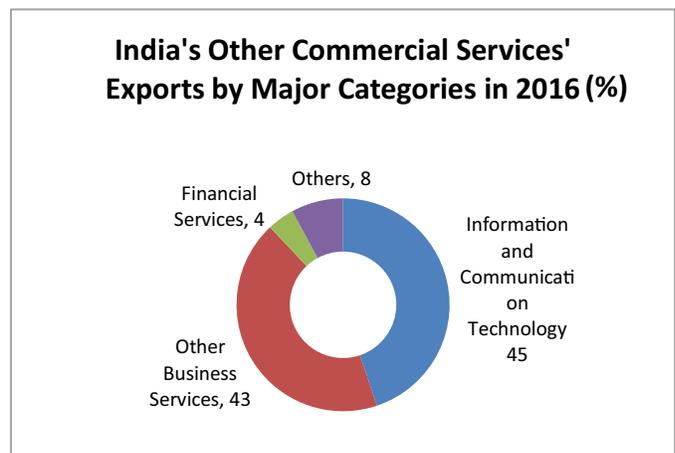
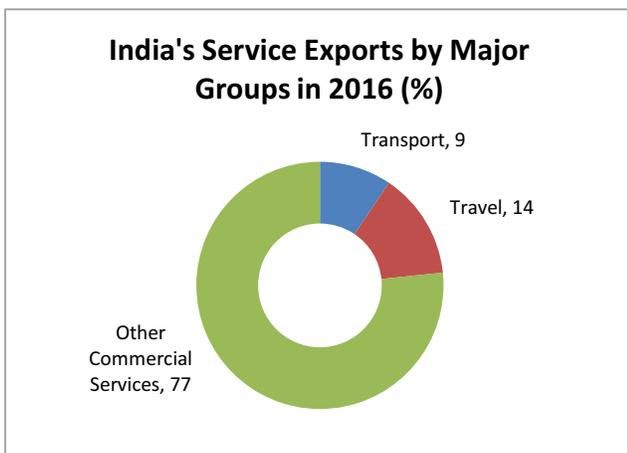
India ranked twentieth in the world in merchandise exports in 2016 and eighth in commercial services. Its share in total world merchandise exports in 2016 was 1.65 per cent.



* Provisional

Source: Economic Survey of India 2016-17 Volume 2, World Trade Organization

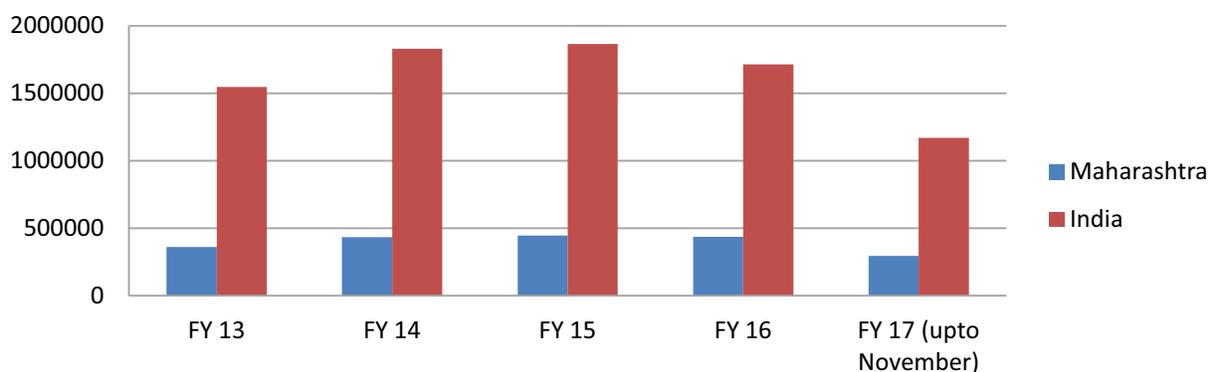
India's share in total world commercial service exports in 2016 was 3.35 per cent.



Source: World Trade Organization

Maharashtra holds a share of about 25 per cent in India's total exports. The main products exported from Maharashtra are gems & jewellery, petrochemicals, readymade garments, cotton yarn, metal & metal products, agro-based products, engineering items, drugs & pharmaceuticals and plastic & plastic items. Grapes, mango, pomegranate and banana are the major fruits being exported from the state. Fish exports during FY 16 were 1.28 MT amounting to Rs. 3,673 crores.

Exports from Maharashtra and India (Rs Crore)



Source: Economic Survey of Maharashtra 2016-17

During FY 16, total cargo traffic handled by major and non-major ports in Maharashtra was 1,539.86 lakh MT, and international cargo handled by airports in the state was 4.97 lakh MT. The Mumbai Port Trust handled cargo traffic of 611.10 lakh MT in FY 16, of which export cargo traffic was 198.16 MT. Similarly, the Jawaharlal Nehru Port Trust handled cargo traffic of 640.27 lakh MT in FY 16, of which export cargo traffic was 289.52 lakh MT. The non -major ports handled cargo traffic of 288.49 lakh MT in FY 16, of which export cargo traffic was 43.75 lakh MT. The Mumbai International Airport handled cargo traffic of 4.96 lakh MT in FY 16.

Purpose of the Study

To identify Maharashtra's export competitiveness vis-à-vis other states in terms of its investment competitiveness in export-oriented industries, identify infrastructural bottlenecks, assess export infrastructure and make policy recommendations

Study Methodology

In order to examine Maharashtra's export competitiveness vis-à-vis other states, we identify its investment competitiveness across nine industries which comprise its exports. Investment competitiveness is analysed based on new project announcements and project completion in the last financial year as well as over last five years, and projects under implementation as at June 2017. We then segregate major states based on the above analysis and move on to further identify their investment-friendliness and infrastructure-readiness. We then assess their export infrastructure vis-à-vis Maharashtra's, and finally, based on the above results make recommendations to improve Maharashtra's export competitiveness.

Investment Analysis

Petroleum Products Industry

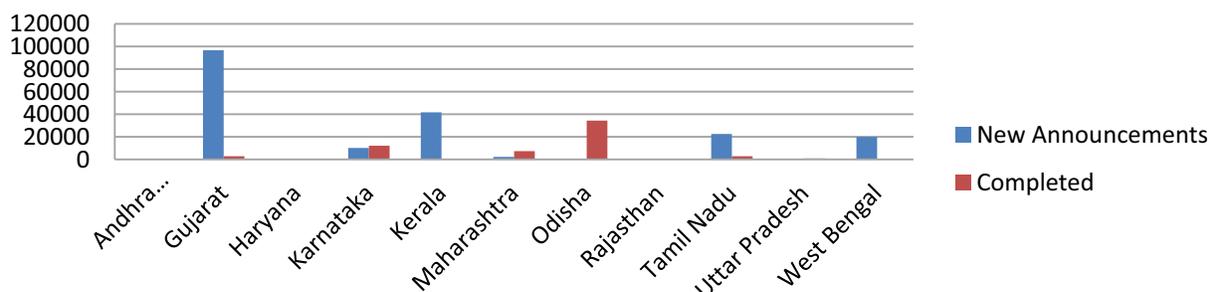
Major Investment Trends in Petroleum Products Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	0	360	54,102
Gujarat	3,970	1,315	40,687
Haryana	0	0	15,000
Karnataka	1,810	0	312
Kerala	1,864	0	19,813
Maharashtra	0	738	6,998
Odisha	0	0	18,143
Rajasthan	0	0	43,129
Tamil Nadu	22,500	0	13,284
Uttar Pradesh	0	0	9,000
West Bengal	0	0	6,306

Source: Centre for Monitoring Indian Economy

During FY 17, Tamil Nadu, Gujarat, Karnataka and Kerala made major new investment announcements in the refinery sector. As against this, Maharashtra made no new announcement although petrochemicals are one of its major exports. Gujarat also saw completion of a project worth Rs. 1,315 crore, while Maharashtra witnessed completion of two projects worth Rs. 737.5 crore. Between FY 13 and FY 17, Maharashtra lagged behind Gujarat, Kerala, Tamil Nadu, West Bengal and Karnataka in terms of new project announcements, and Odisha and Karnataka in terms of project completion. Up till June 2017, major projects in the petroleum products sector were under implementation in Andhra Pradesh, Gujarat, Haryana, Kerala, Odisha, Rajasthan and Tamil Nadu, whereas projects worth only Rs. 6,998 crore were under implementation in Maharashtra.

Projects in Petroleum Products Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Textile Industry

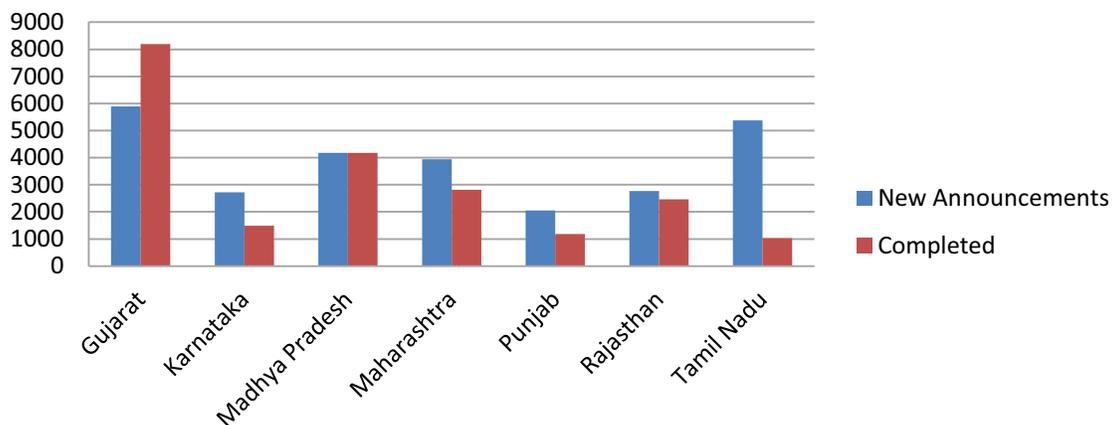
Major Investment Trends in Textile Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Gujarat	3,893	2,144	10,298
Karnataka	3	0	2,532
Madhya Pradesh	2,387	53	96
Maharashtra	0	1,075	2,574
Punjab	0	35	1,575
Rajasthan	0	1,757	2,394
Tamil Nadu	104	413	2,121

Source: Centre for Monitoring Indian Economy

While FY 17 did not see any major new investments announced in the textile industry, except for Gujarat and Madhya Pradesh, it saw successful completion of major projects in Gujarat, Maharashtra and Rajasthan. However, major projects were under implementation in Gujarat, Karnataka, Maharashtra, Punjab, Rajasthan and Tamil Nadu as at June 2017. While Gujarat and Tamil Nadu ranked highest in terms of new project announcements between FY 13 and FY 17, Gujarat followed by Madhya Pradesh ranked highest in terms of projects completed. Maharashtra, still, fared well on both these parameters.

Projects in Textile Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Metals and Metal Products Industry

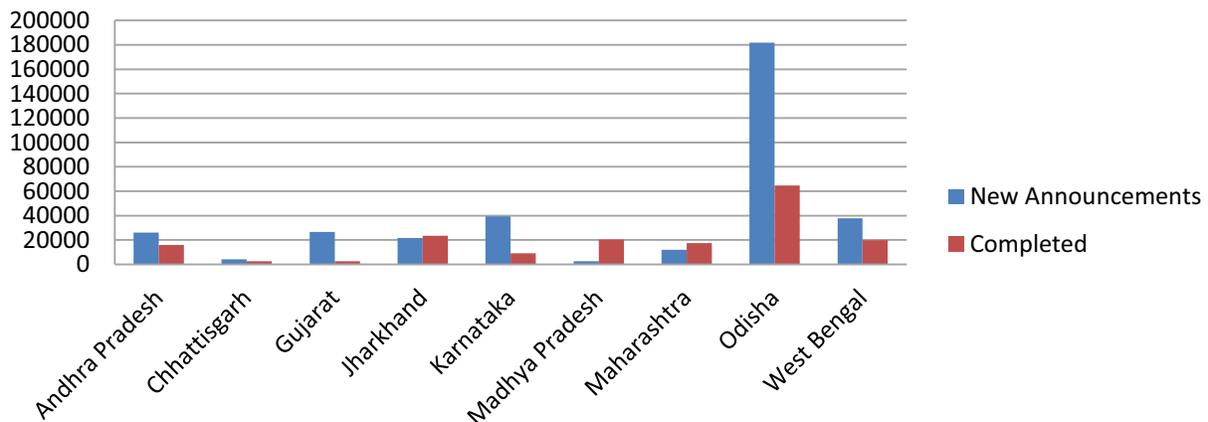
Major Investment Trends in Metals & Metal Products Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	4,918	231	11,304
Chhattisgarh	2,648	1,706	66,787
Gujarat	15,767	560	15,225
Jharkhand	2,894	74	89,562
Karnataka	56	36	59,705
Madhya Pradesh	0	0	4,642
Maharashtra	450	495	60,887
Odisha	105,887	25,542	136,246
West Bengal	6,449	370	23,787

Source: Centre for Monitoring Indian Economy

Odisha, followed by Gujarat, saw major new announcements in the metals and metal products sector in FY 17. Odisha also saw completion of major projects in the year, followed by Chhattisgarh. Maharashtra did not see and major improvements during the year. It also scored lower than most major states in terms of new project announcements between FY 13 and FY 17. However, it scored well in terms of project completion and had major projects under implementation, as at June 2017.

Projects in Metals & Metal Products Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Food & Agro - based Products Industry

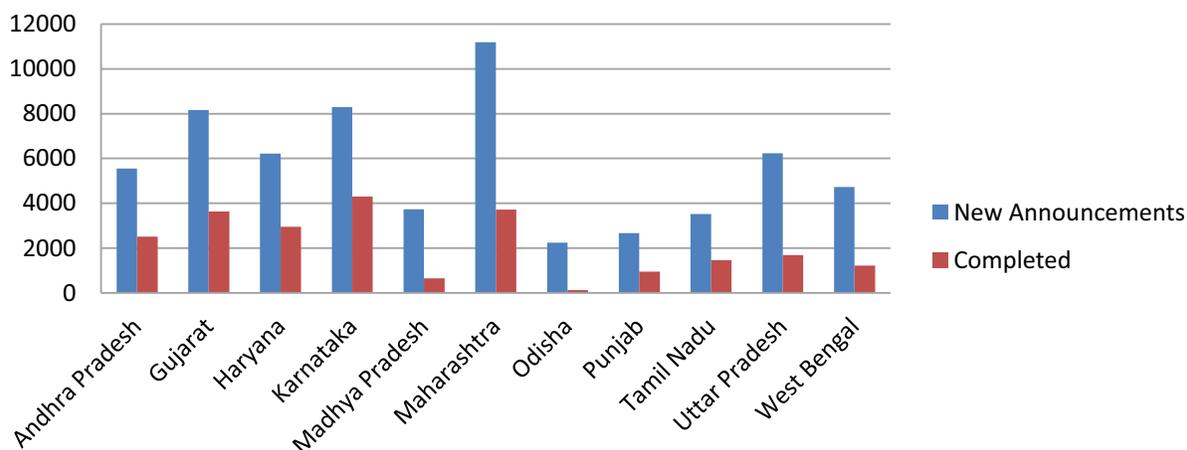
Major Investment Trends in Food & Agro-based Products Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	495	1,475	1,669
Gujarat	4,440	810	4,903
Haryana	877	665	939
Karnataka	1,805	867	5,463
Madhya Pradesh	69	200	1,546
Maharashtra	1,250	1,160	5,601
Odisha	1,462	33	993
Punjab	397	284	2,857
Tamil Nadu	114	121	1,564
Uttar Pradesh	2,427	1,125	2,615
West Bengal	482	317	2,539

Source: Centre for Monitoring Indian Economy

Maharashtra fared well in terms of new project announcements in the food and agro-based products industry during FY 17 and saw completion of major projects during the year. It made the highest new project announcements worth Rs 11,180 crore between FY 13 and FY 17 and saw completion of projects worth Rs 3,725 crore. It also had the highest amount of projects under implementation as at June 2017.

Projects in Food & Agro-based Products Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Drugs & Pharmaceuticals Industry

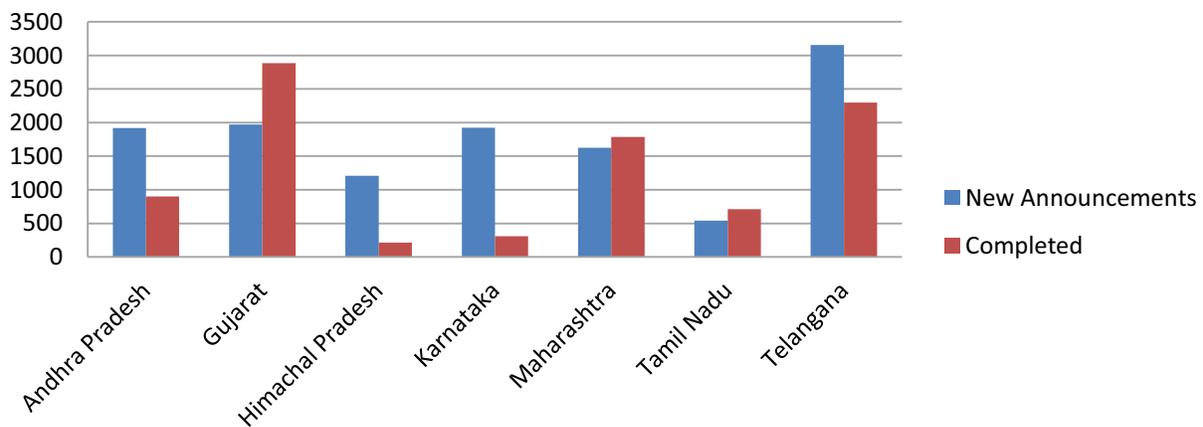
Major Investment Trends in Drugs & Pharmaceuticals Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	370	0	262
Gujarat	416	171	495
Himachal Pradesh	0	0	900
Karnataka	1,060	0	3,458
Maharashtra	207	502	2,474
Tamil Nadu	120	0	916
Telangana	600	378	2,509

Source: Centre for Monitoring Indian Economy

Maharashtra did not make major new project announcements in the drugs and pharmaceuticals sector during FY 17; however it showed the highest completion of projects during the year. It fared well in terms of new project announcements and project completion between FY 13 and FY 17. It was one of the key states in terms of projects under implementation as at June 2017.

Projects in Drugs & Pharmaceuticals Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Plastic Products Industry

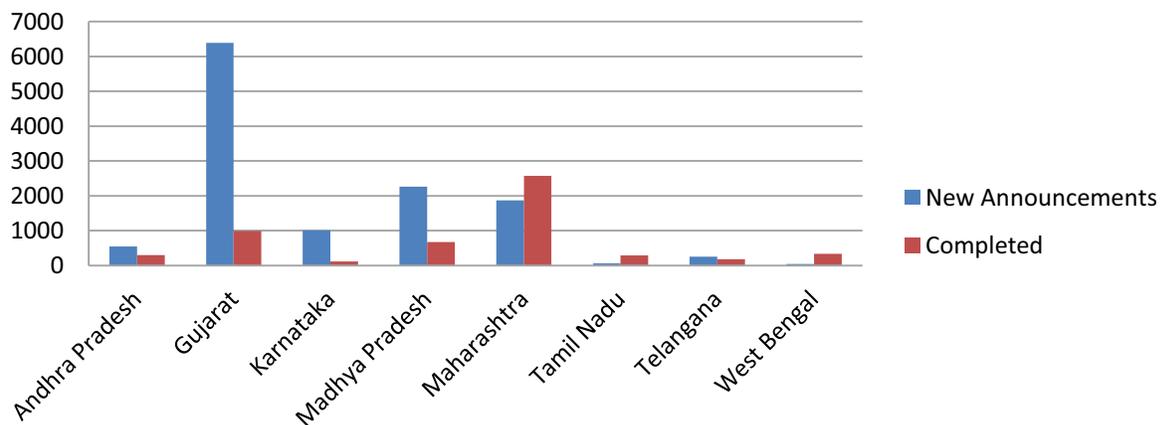
Major Investment Trends in Plastic Products Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	0	210	10
Gujarat	0	210	1762
Karnataka	0	0	40
Madhya Pradesh	297	438	1554
Maharashtra	1035	1635	1750
Tamil Nadu	0	176	65
Telangana	129	165	300
West Bengal	40	0	0

Source: Centre for Monitoring Indian Economy

Maharashtra had the highest new project announcements and projects completed in the plastic products industry in FY 17. In terms of projects under implementation also, it ranks one among the highest. It stood next only to Gujarat and Madhya Pradesh in terms of new project announcements between FY 13 and FY 17, whereas it stood highest in terms of projects completed during this period.

Projects in Plastic Products Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Machinery Industry

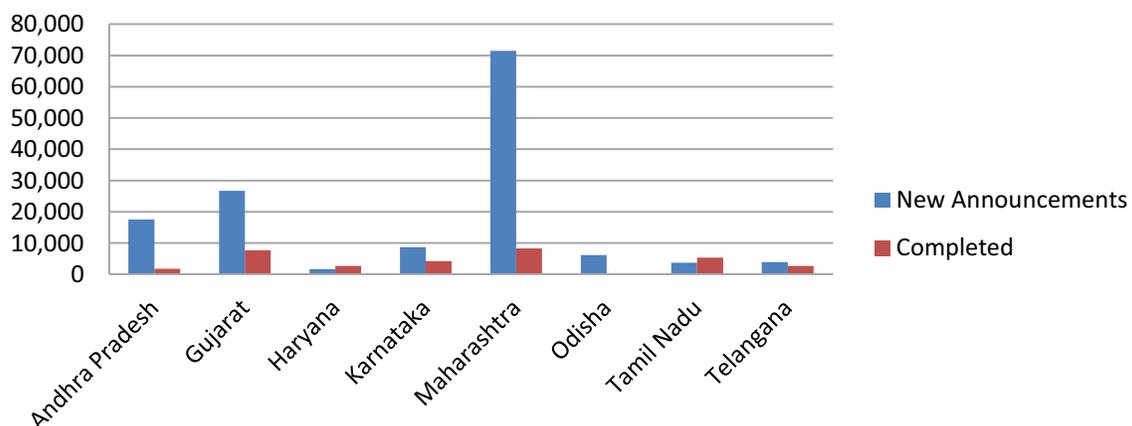
Major Investment Trends in Machinery Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	670	305	4,985
Gujarat	13	912	38,042
Haryana	0	100	60
Karnataka	0	1,857	4,195
Maharashtra	59	360	2,711
Odisha	0	86	2,222
Tamil Nadu	100	130	1,639
Telangana	514	235	983

Source: Centre for Monitoring Indian Economy

Andhra Pradesh made the highest new project announcements (by value) in the machinery industry during FY 17, whereas Karnataka scored the highest in project completion in this year. In terms of projects under implementation, Gujarat was at the top. Maharashtra has been one of the low-ranking states in these regards. Maharashtra made the highest new project announcements between FY 13 and FY 17; however, in terms of project completion, it was a laggard.

Projects in Machinery Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Transport Equipment Industry

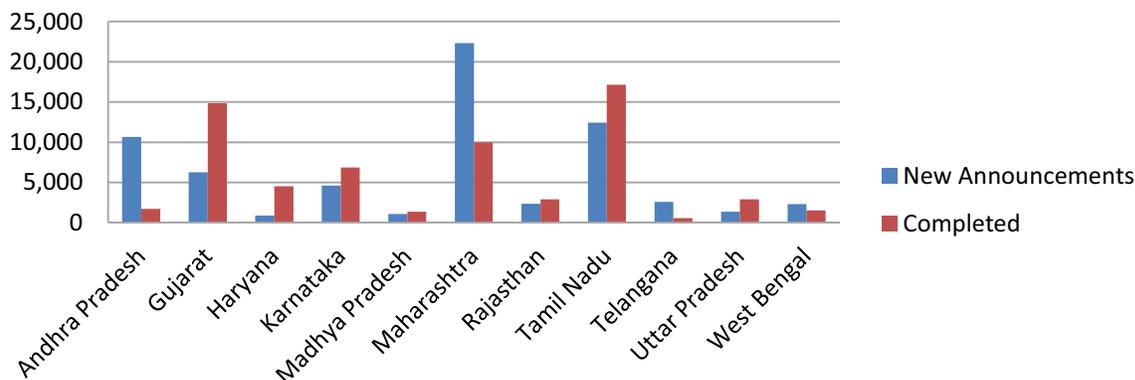
Major Investment Trends in Transport Equipment Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	2,660	0	3,655
Gujarat	5,035	4,100	16,000
Haryana	0	641	4,300
Karnataka	0	100	10,959
Madhya Pradesh	150	25	500
Maharashtra	1,500	1,398	7,724
Rajasthan	0	390	935
Tamil Nadu	180	1,716	9,687
Telangana	0	42	1,052
Uttar Pradesh	0	0	2,177
West Bengal	1,700	300	3,486

Source: Centre for Monitoring Indian Economy

Gujarat topped in terms of new project announcements and project completion in the transport equipment industry in FY 17. Maharashtra has been a middle-ranking state in these regards, as also in terms of projects under implementation as at June 2017. It ranked the highest in terms of new project announcements in this industry between FY 13 and FY 17; however in terms of project completion, it lagged behind Tamil Nadu and Gujarat.

Projects in Transport Equipment Industry by Major States (FY 13 to FY 17) (Rs Crore)



Source: Centre for Monitoring Indian Economy

Information Technology Industry

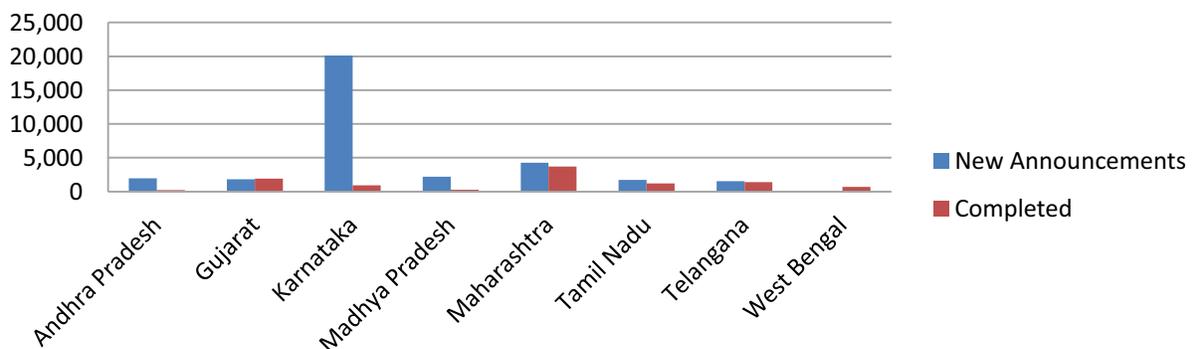
Major Investment Trends in Information Technology Industry (Rs Crore)

	New Projects Announced FY 17	Projects Completed FY 17	Projects Under Implementation As at June 2017
Andhra Pradesh	599	0	1,730
Gujarat	0	0	1,586
Karnataka	2,156	136	44,776
Madhya Pradesh	504	0	2,692
Maharashtra	164	103	6,392
Tamil Nadu	0	85	10,637
Telangana	300	270	19,524
West Bengal	0	574	1,650

Source: Centre for Monitoring Indian Economy

Maharashtra was one of the middle-level states in terms of new project announcements and projects completed in the information technology industry during FY 17, as also in terms of projects under implementation as at June 2017. However, it fared well in terms of new project announcements and projects completed between FY 13 and FY 17. Karnataka was at the top in terms of new project announcements, however in terms of project completion it lagged behind.

Projects in Information Technology Industry by Major States (FY 13 to FY 17) (Rs Crore)



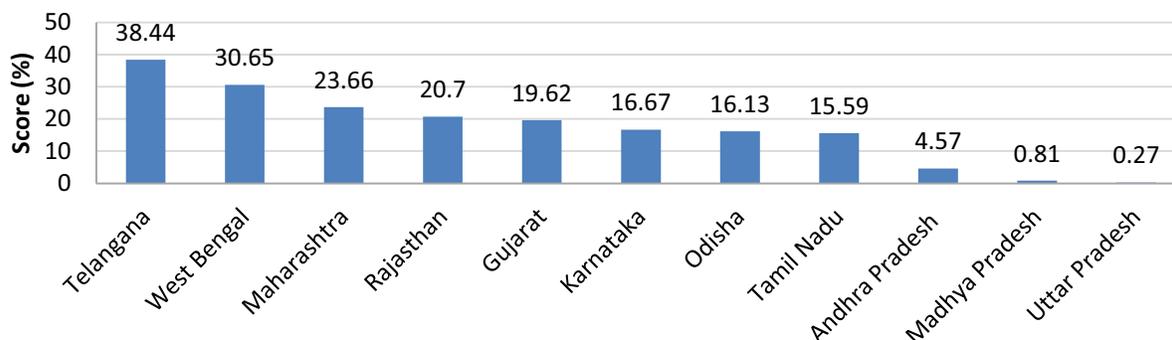
Source: Centre for Monitoring Indian Economy

Based on their high scores on investment-competitiveness viz. new project announcements and project completion over the past five years, and projects under implementation as at June 2017, we have identified Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal for further inter-state comparison on various parameters.

Ease of Doing Business

Maharashtra is among the top states in terms of implementation of business reforms as on October 16, 2017 with a score of 23.66 per cent. While among the states compared, Telangana and West Bengal precede Maharashtra, Rajasthan and Gujarat follow it. The least scorers are Uttar Pradesh, Madhya Pradesh and Andhra Pradesh.

Implementation of Business Reforms as on October 16, 2017



Source: Department of Industrial Policy & Promotion

Top Five Reforms Implemented by Maharashtra As on October 16, 2017

Environmental Registration Enablers
Single Window Clearance
Construction Permit Enablers
Availability of Land
Access to Information and Transparency Enablers

Source: Department of Industrial Policy & Promotion

Priority Sector Lending

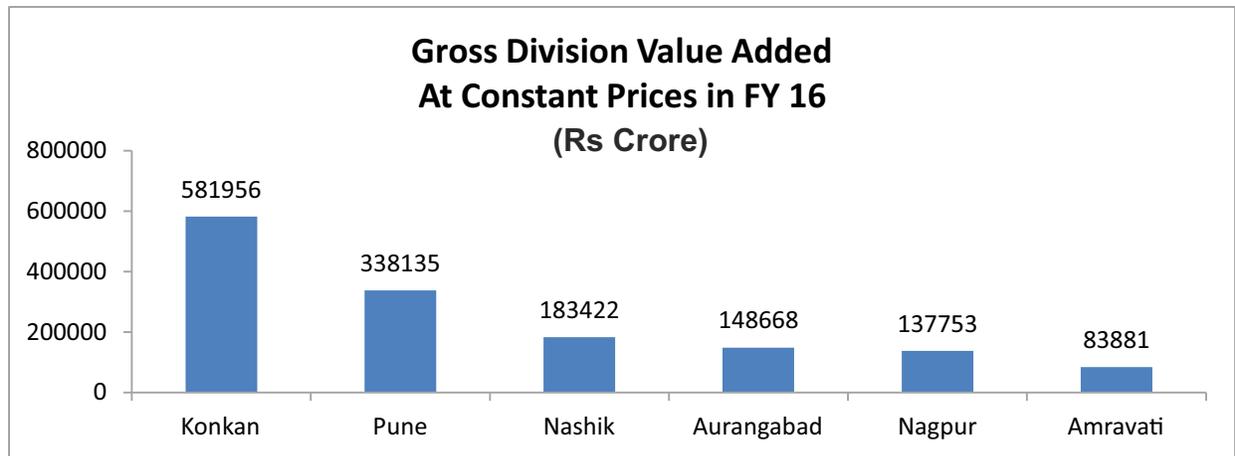
Priority sector lending is an important tool used by the Reserve Bank of India to bring about financial inclusion. It aims at providing credit to the otherwise neglected sectors of the economy such as agriculture, MSMEs and exports. Maharashtra leads the other states compared on these parameters, with 45 per cent share in export credit in 2016. However, there are regional disparities which need to be addressed.

Priority Sector Lending by Scheduled Commercial Banks in 2016 (Rs Million)						
State	Agriculture		MSMEs		Export Credit	
	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total
Andhra Pradesh	847640	7	371755	4	19169	3
Gujarat	516959	4	779218	7	30237	4
Karnataka	955571	8	683094	6	102354	14
Madhya Pradesh	498592	4	349421	3	1457	0
Maharashtra	2520618	21	1848767	18	326970	45
Odisha	127557	1	191771	2	1037	0
Rajasthan	607445	5	451962	4	1728	0
Tamil Nadu	1267357	11	1223290	12	39370	5
Telangana	446439	4	385742	4	20904	3
Uttar Pradesh	862412	7	639463	6	1752	0
West Bengal	409872	3	574239	5	18484	3
ALL INDIA	11730982	100	10547946	100	724018	100

Source: Reserve Bank of India

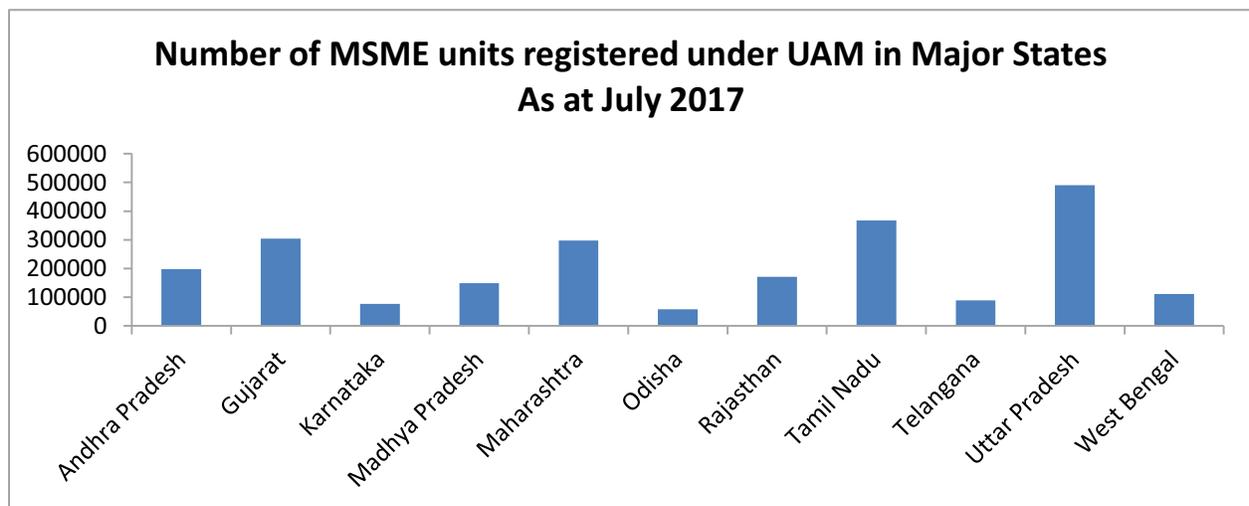
While Maharashtra is one of the leading states in India, it has striking disparity in terms of value-added by its various regions. The Gross Value Added at constant prices by the Konkan division was about seven times, and that by the Pune division was about four times the Gross Value Added by the Amravati division in 2015-16. Similarly, in terms of various districts, Mumbai and Thane districts were way ahead of Sindhudurg, Ratnagiri and Raigad districts in the Konkan division. In the Pune division, Pune district was much ahead of all its remaining districts, namely Satara, Sangli, Solapur and Kolhapur.

Thus, there is tremendous scope for promoting investments and improving infrastructure in Tier-II cities and other regional areas in Maharashtra, so as to stop the advent of people in major cities like Mumbai and Pune, which creates a severe strain on the infrastructure of these cities.



Source: Economic Survey of Maharashtra 2016-17

On September 18, 2015, the Government of India introduced online filing of Udyog Aadhaar Memorandum (UAM) for registration of MSMEs by replacing the then existing procedure of filing Entrepreneurs Memorandum-II (EM-II). As at July 2017, Uttar Pradesh had the highest number of MSMEs registered under UAM, followed by Tamil Nadu, Gujarat and Maharashtra.



Source: Ministry of Micro, Small & Medium Enterprises; Press Release dated 17th July, 2017

Considering that Maharashtra is home to major industrial hubs such as Mumbai and Pune, there is tremendous scope to set up ancillary clusters in the backward districts of Maharashtra. While various districts in the Nashik and Pune divisions are home to ancillary industries due to their strategic location, many districts in the Aurangabad, Nagpur and Amravati divisions need to scale up. These regions have the potential of adding to the existing engineering, textile and agro-processing clusters in Maharashtra that can provide raw materials to the major industries in the Mumbai and Pune regions to further Maharashtra's development, as also accentuate its exports, which should be encashed.

State VAT on Petroleum Products

Petrol and diesel are universal intermediate goods, which are used as fuel in the manufacturing process, as also in the transport of goods, but are outside the GST ambit. The Value Added Tax (VAT) imposed by state governments on petroleum products affect the cost of operation of industries and therefore their export competitiveness.

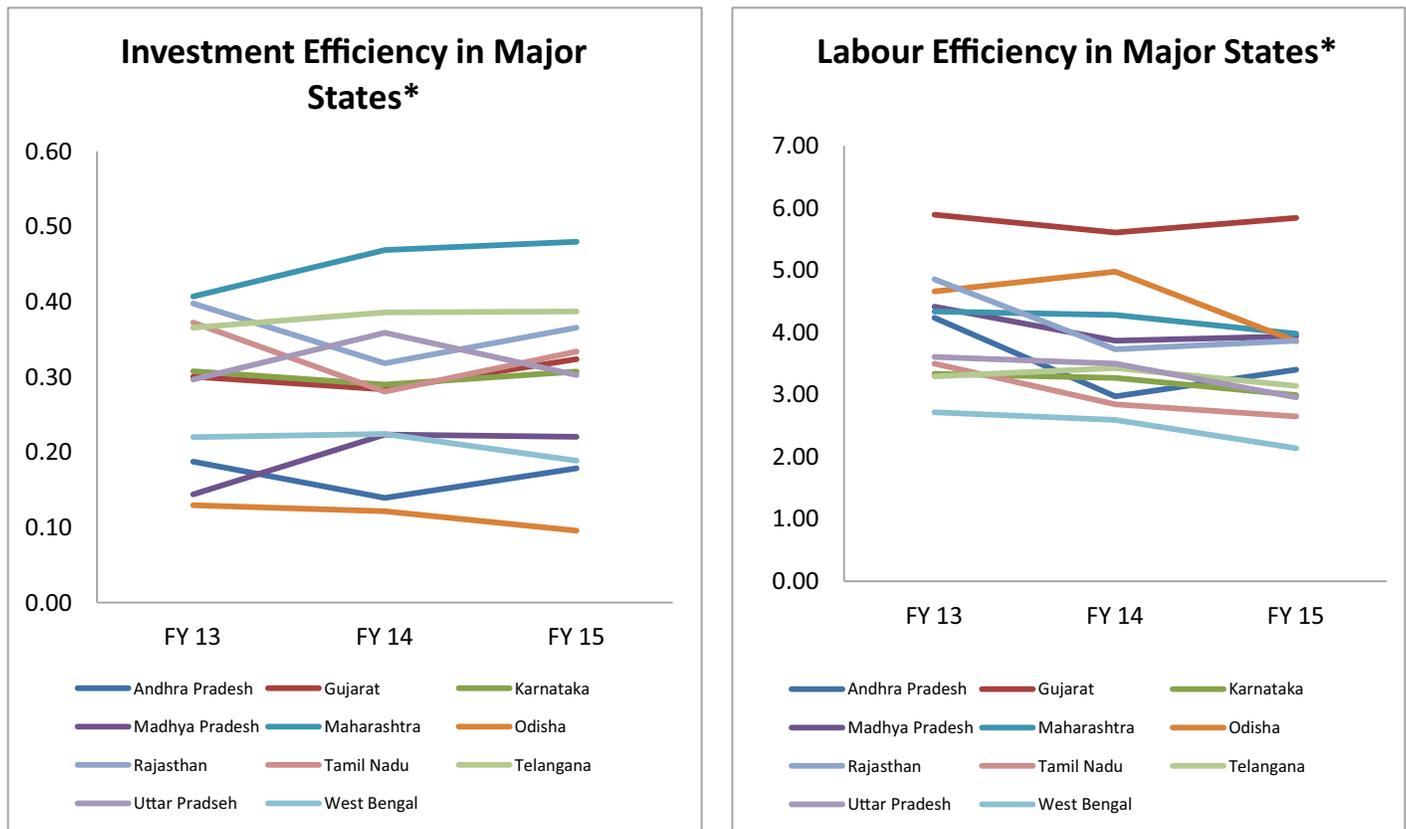
State-wise Value Added Tax or Sales Tax on Petroleum Products (%) As on 04/10/2017		
	Petrol	Diesel
Andhra Pradesh	38.93	30.86
Gujarat	28.96	28.96
Karnataka	30	19
Madhya Pradesh	38.9	30.24
Maharashtra (Mumbai, Thane & Navi Mumbai)	47.94	28.41
Maharashtra (Rest of the State)	46.81	25.38
Odisha	26	26
Rajasthan	32.95	25.75
Tamil Nadu	34	25
Telangana	35.2	27
Uttar Pradesh	32.9	20.19
West Bengal	26.87	18.47

Source: Petroleum Planning & Analysis Cell, Government of India

Maharashtra has the highest VAT rates on petroleum products among the states compared in the study at around 47 per cent for petrol, which is much higher than 26 per cent in Odisha and West Bengal, 29 per cent in Gujarat, 30 per cent in Karnataka, and 33 per cent in Rajasthan and Uttar Pradesh, which are the low tax states. Although VAT on diesel in Maharashtra is lower, between 25 per cent and 28 per cent (depending on the district in the state), compared to Andhra Pradesh, Madhya Pradesh and Gujarat at 31 per cent, 30 per cent, 29 per cent respectively, it is still higher than West Bengal (18 per cent), Karnataka (19 per cent) and Uttar Pradesh (20 per cent), among others.

It may be noted that the Government of Maharashtra has reduced the VAT on petrol and diesel, along with a few other states like Gujarat and Madhya Pradesh, in October 2017. However, even after the reduction, VAT on petrol and diesel in Maharashtra continues to be far higher than that in many other states.

Efficiency



Source: RBI Handbook of Statistics on Indian States

* Investment Efficiency is calculated as the ratio of Gross Value Added to Invested Capital, and Labour Efficiency is calculated as the ratio of Gross Value Added to Total Emoluments

While investment efficiency differs across industries, on an aggregate level, Maharashtra fared better than the other major states under consideration in terms of investment-efficiency, between FY 13 and FY 15, followed by Telangana, Rajasthan and Tamil Nadu. The least scorer was Odisha, preceded by Andhra Pradesh, West Bengal and Madhya Pradesh, in this regard. Although labour efficiency of all the states under consideration has been lower in FY 15, as compared to FY 13, Gujarat fared the best in labour efficiency between FY 13 and FY 15, followed by Odisha, Maharashtra, Madhya Pradesh and Rajasthan. The least scorer in the lot was West Bengal, preceded by Tamil Nadu, Karnataka and Uttar Pradesh.

Infrastructure

The table below highlights infrastructure project statistics of major states as at April 2017, where Maharashtra leads with a share of 11.8 per cent in the total project cost of India.

Major State-wise Infrastructure Projects As at April 2017			
	Number Of Projects	Total Project Cost (Rs Crore)	Share in Total Project Cost (%)
Andhra Pradesh	460	275,941	5.5
Gujarat	502	290,227	5.7
Karnataka	659	288,902	5.7
Madhya Pradesh	710	261,981	5.2
Maharashtra	1097	597,319	11.8
Odisha	302	175,083	3.5
Rajasthan	496	176,694	3.5
Tamil Nadu	446	314,066	6.2
Telangana	205	233,162	4.6
Uttar Pradesh	454	354,419	7.0
West Bengal	413	168,981	3.3
India	8367	5,058,722	100.0

Source: Niti Aayog

Notes:

Total number of projects includes PPP projects, traditional government projects and private projects

Government Infrastructure Projects (PPP): Project Cost >INR 5 crore

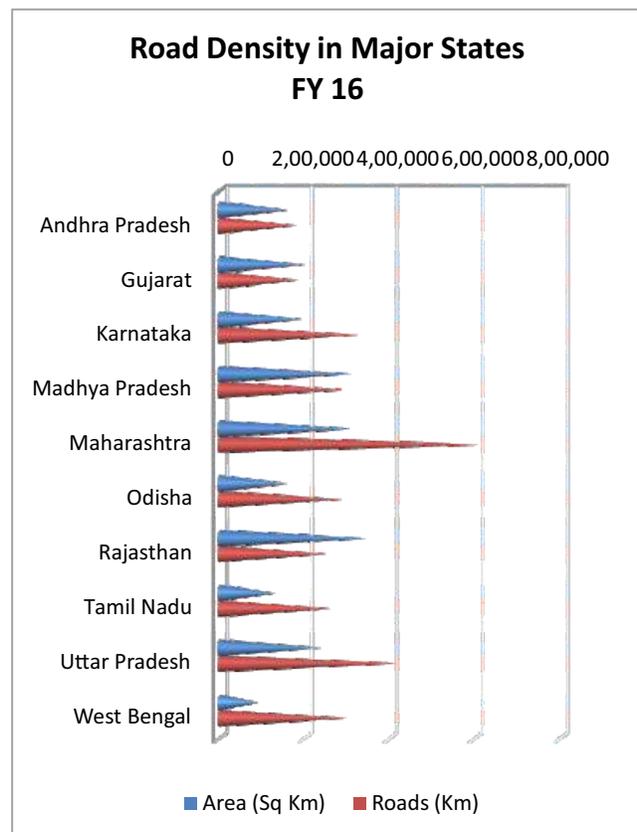
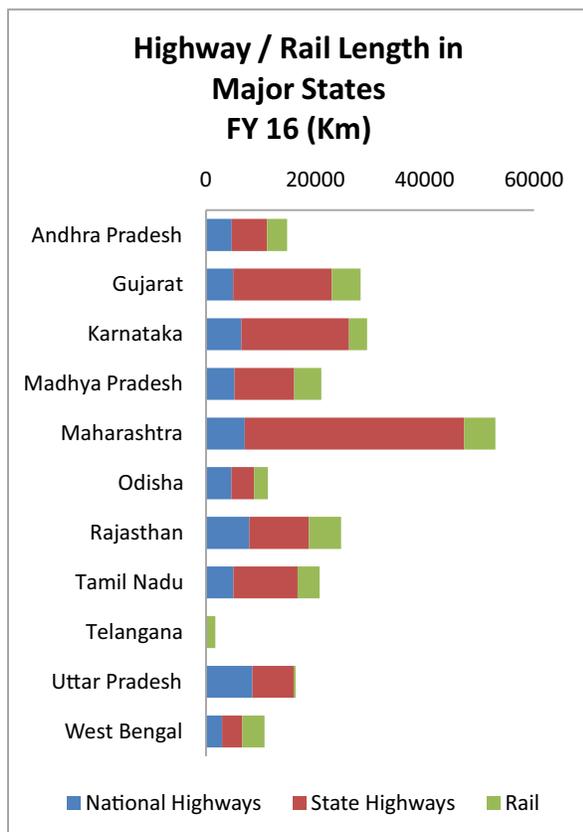
Government Infrastructure Projects (Traditional Procurement): Project Cost >INR 50 crore

Private Sector Infrastructure Projects: Project Cost >INR 50 crore



Road / Rail Network

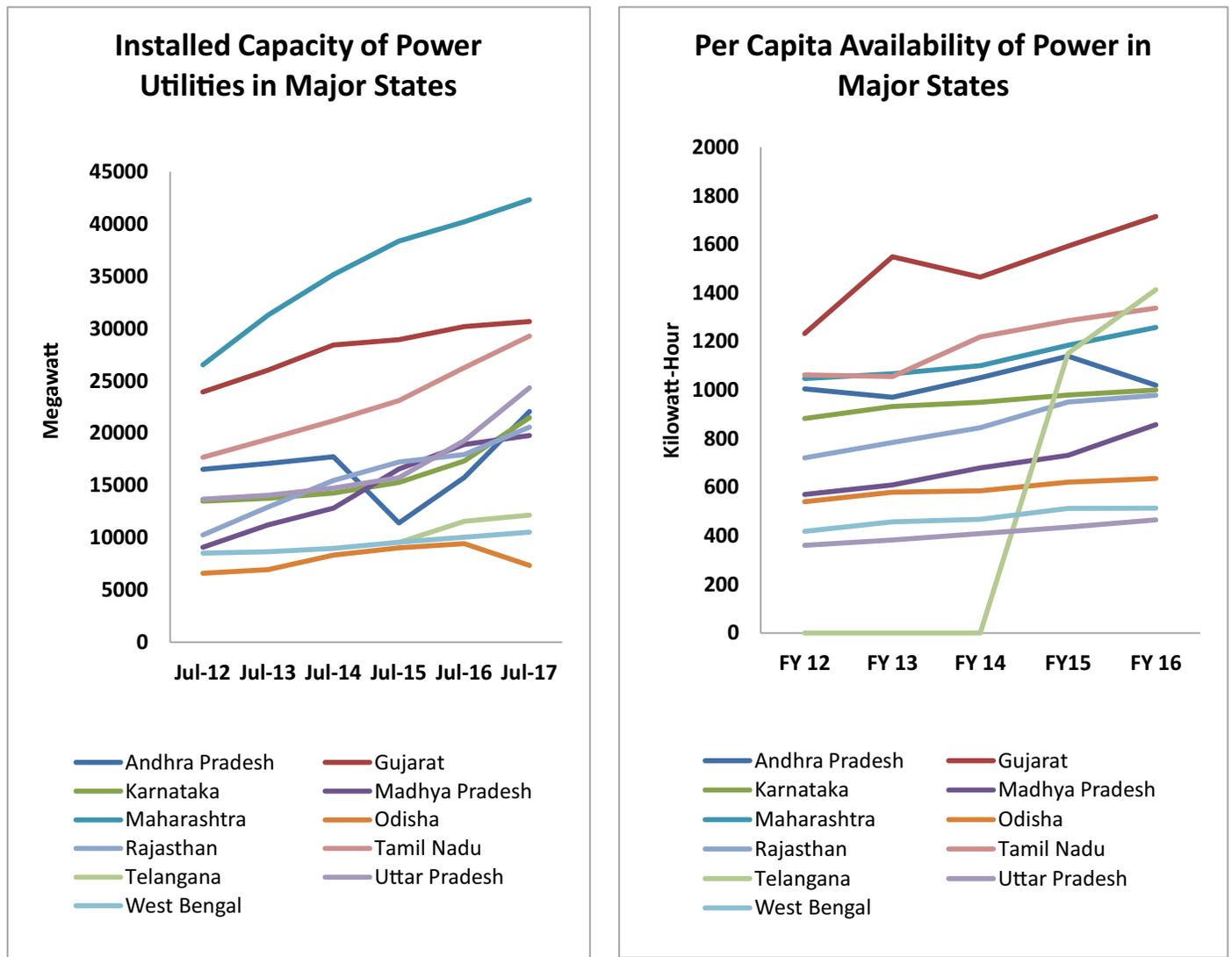
While Uttar Pradesh and Rajasthan had higher national highway length than Maharashtra in FY 16, Maharashtra had the highest state highway and road length network, among the major states. It also had the second-highest rail network, following only Rajasthan. In terms of road density too, Maharashtra seconded only West Bengal and was close to Tamil Nadu, in FY 16, among the major states under consideration. It was followed by Odisha, Uttar Pradesh and Karnataka (Road Density is calculated as the proportion of Length of Roads (Km) in the Area (Sq Km) of the state).



Source: RBI Handbook of Statistics on Indian States, State Government Websites

Note: Data on national highway, state highway and road length for Telangana was not available

Power

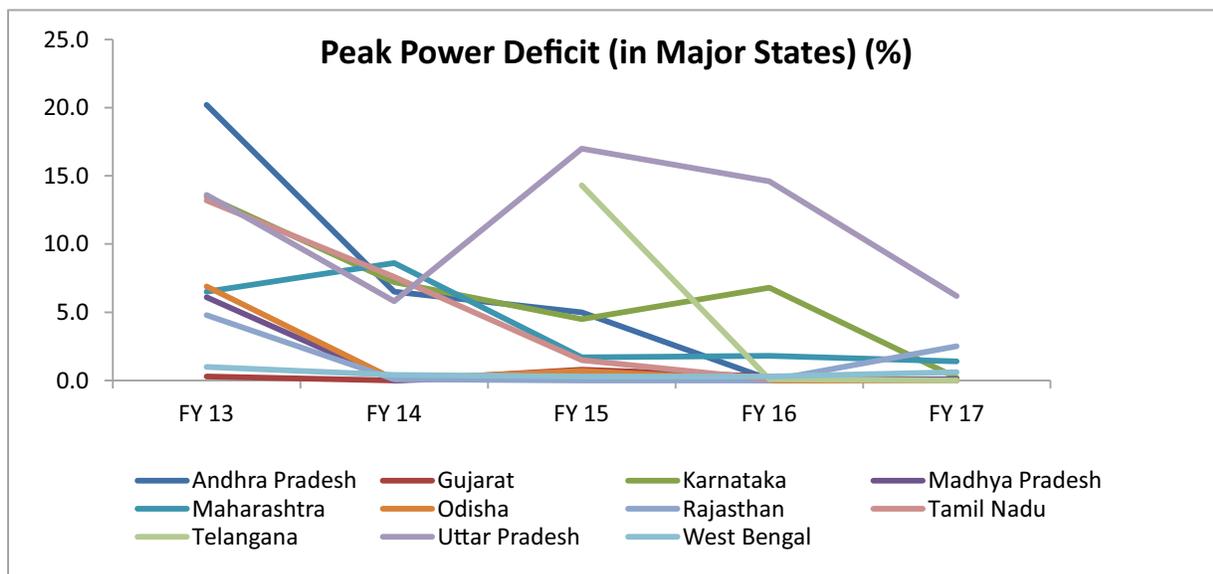


Source: Central Electricity Authority, RBI Handbook of Statistics on Indian States

Note: Data for Telangana is available FY 15 onwards as it was formed only in June 2014

Among the major states, Maharashtra had the highest installed power capacity in India at 42329 MW as at July 2017, but Madhya Pradesh, Rajasthan and Uttar Pradesh showed the highest growth in capacity addition between July 2012 and July 2017. While low in terms of capacity addition, Gujarat (between FY 12 and FY 16) and Telangana (in FY 16) outpaced Maharashtra in terms of per capita availability of power. Tamil Nadu also outperformed Maharashtra in terms of per capita availability of power between FY 12 and FY 16, whereas Uttar Pradesh scored the least on this parameter. Odisha and West Bengal were among the lowest in terms of both, capacity addition as well as per capita availability of power during this period.

Almost all major states eliminated power deficit during peak hours (18:00 to 22:00) by FY 17 (Peak Power Deficit is measured as percentage of unmet power demand during peak hours). States such as Andhra Pradesh, Karnataka and Tamil Nadu, which had power deficit in double digits, could eliminate the same by FY 17 through growth in the installed capacity and distribution of power between FY 13 and FY 17 in these states. Maharashtra continues to face power deficit during peak hours, although it has declined considerably from 6.5% in FY 13 to 1.4% in FY 17. Uttar Pradesh, however, has had persistent power deficit during peak hours throughout FY 13 to FY 17, while Gujarat has had negligible peak power deficit throughout the period. Rajasthan faced a deficit of 2.5% in FY 17, although it could eliminate it between FY 14 and FY 16.



Source: Central Electricity Authority

Note: Data for Telangana is available FY 15 onwards as it was formed only in June 2014

Cost of electricity is one of the key operational expenditures of any manufacturing or service enterprise. Thus, cost of power affects the competitiveness of commercial enterprises. Power distribution in India is largely dominated by distribution companies of the state governments. There is a tendency among power distribution companies across states to subsidize power for residential consumers by offering them power at a subsidized tariff and recovering the cost by charging higher tariff from industrial consumers.

In Maharashtra, the state-owned Maharashtra State Distribution Company (MSEDCL) supplies power to most of the industrial and residential consumers in the state. According to the revised applicable tariff for FY 17, MSEDCL charges Rs. 4.29 per kwh (unit) for residential consumers, while industrial consumers pay around Rs. 7.13 per unit. Thus, cost of power for industries in Maharashtra is one of the highest among the states concerned. Gujarat offers the lowest cost of power for industrial consumers, while Madhya Pradesh offers the highest.

Power Tariff for Industrial Consumers FY 17 (Rs per kwh)	
Andhra Pradesh	5.6
Gujarat	3.00 - 4.25
Karnataka	6.6
Madhya Pradesh	7.8
Maharashtra	7.1
Odisha	4.2- 5.35
Rajasthan	6.0 - 7.20
Tamil Nadu	6.4
Telangana	5.65 - 6.70
Uttar Pradesh	6.15 - 7.70
West Bengal	7.0

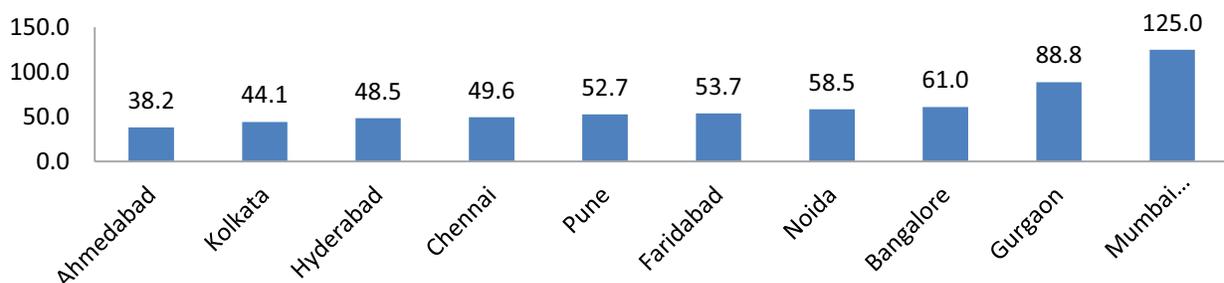
Source: Tariff Orders from State Electricity Regulatory Commissions

Note: Data on power tariffs for industrial consumers is taken from the latest tariff order of the state electricity regulatory commissions of the respective state governments. The tariff order classifies industries based on high tension, low tension and medium tension power consumption. Therefore, in those states where the tariff rates vary significantly across these three categories of industries, we have provided the range of this tariff in the table. For the rest, the tariff rates have been rationalized for the purpose of brevity.

Lease Rentals

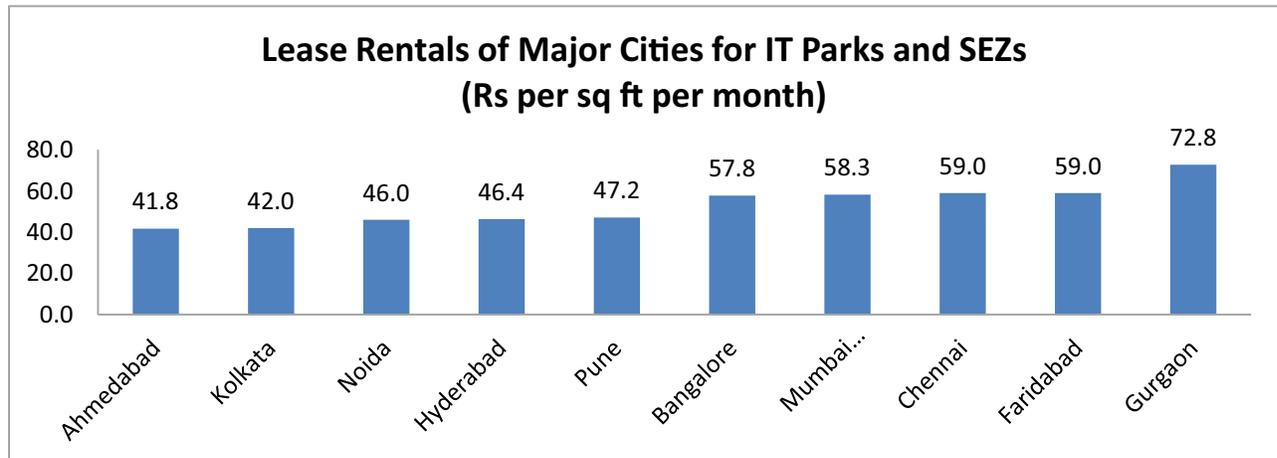
Cost of land and office space is one of the determinants of competitiveness of a state. In this section, we have analyzed the cost competitiveness of Mumbai and Pune, the major commercial cities of Maharashtra, in comparison to cities in other states.

Lease Rentals of Major Cities for Commercial Office Space (Rs per sq ft per month)



Source: Liases Foras

Data shared by India's leading real estate consultancy firm Lias Foras shows that lease rentals for commercial office space are the lowest in Ahmedabad among the 10 leading industrial cities in India. Rental cost of commercial office space is Rs 38 per square foot per month in Ahmedabad as compared to Rs. 125 in the Mumbai Metropolitan Region and Rs. 52 in Pune. In terms of growth, office rentals have expanded at a compounded annual growth rate of eight per cent in Pune compared to 5.5 per cent in Ahmedabad and the Mumbai Metropolitan Region in the five years through 2017.



Source: Lias Foras

Many export oriented units operate from Information Technology (IT) Parks and Special Economic Zones across the country. IT Parks and SEZs in Ahmedabad and Kolkata offer the lowest lease rentals at Rs 42 per square foot. On the other hand, corresponding lease rentals in the Mumbai Metropolitan Region and Pune hover around Rs 58 and Rs 47 respectively.

However, according to Mr. Anuj Puri, Chairman, ANAROCK Property Consultants Private Limited "The state of Maharashtra has witnessed a holistic growth over the last few years and has not been limited to just the much talked twin cities of Mumbai and Pune. One can easily lease good commercial offices at competitive rentals even in Tier-II cities such as Nashik and Nagpur. The industrial leasing options are also no longer restricted only to the manufacturing hubs of Pune such as Chakan and Talegaon, and one can get good rates and support infrastructure even in the smaller cities of Nashik and Dhule".

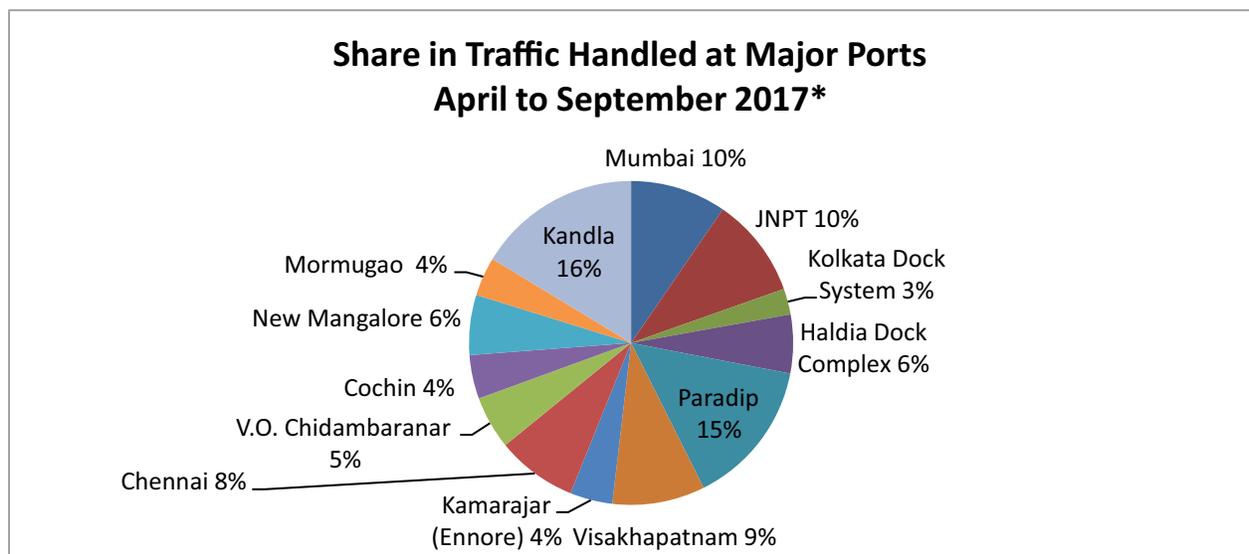
Catering to the requirements of various businesses ranging from proprietor-driven manufacturing firms to SMEs, IT start-ups to large-scale multi-national conglomerates becomes extremely easy with holistic development of commercial establishment centres spread across the state. This is critical in not only to attract global investments and retain the best talent, but also to offer vibrancy to the economy. The State government has also put significant efforts to improve the competitiveness, and as a result, Maharashtra ranked No.1 in India as per a broad measure of Ease of Doing Business (EDB) in Indian states shared by the Asian Competitiveness Institute (ACI) in 2016.

With large-scale industrialization as well as significant focus on IT-ITeS businesses and agriculture & allied activities, Maharashtra is witnessing an all-round development and the state is definitely poised to contribute significantly to the Indian economy in the future periods as well.

Export Infrastructure

Major Ports

Availability of port infrastructure is a key enabler for exports. Maharashtra has a coastline of around 653 km, which is the third largest after Gujarat (1215 km) and Tamil Nadu (906 km). Maharashtra has two major ports viz. Mumbai Port Trust and Jawaharlal Nehru Port Trust (JNPT) and 48 non-major ports. Mumbai Port Trust and JNPT are the leading major ports in India as they together handle almost 20 per cent of the total cargo (both container and non-containerised cargoes) handled by all the major ports in the country. JNPT is a leading container port in India as it handles 53 per cent of container cargoes (in terms of twenty foot equivalent unit) of all the major ports.



*Provisional

Source: Indian Ports Association

Non-Major Ports

There are 205 non-major ports across the country, of which Maharashtra has 48 non-major ports, which come under the purview of Maharashtra Maritime Board, Government of Maharashtra. Out of these 48 non-major ports, only 14 ports are active in handling cargo. Non-major ports in Maharashtra handle only seven per cent of the total cargo handled by all the 205 non-major ports in the country. On the other hand, Gujarat, with 46 non-major ports, handles 72 per cent of the total cargo of non-major ports in the country. This suggests that there is tremendous scope to improve the performance of non-major ports in Maharashtra. Maharashtra Maritime Board must improve infrastructure in these non-major ports by focusing on - increasing the draft in these ports to enable berthing of large ships, improve cargo handling infrastructure, strengthening rail and road linkages to these ports, promoting coastal shipping to connect these non-major ports to JNPT and Mumbai Port etc.¹

¹ Update on Indian Port Sector - 31/03/2017, Ministry of Shipping, Government of India

Export infrastructure such as Inland Container Depots, Container Freight Stations, Special Economic Zones and Export Oriented Units are key to enhancing exports from a state, in addition to logistic connectivity.

As at November 2016, Maharashtra had seven functioning Inland Container Depots (ICDs), equaling Gujarat, Madhya Pradesh and Rajasthan, the highest being with Tamil Nadu (nine) and Uttar Pradesh (eight). It also had the highest number of ICDs under implementation (four). As against this, Andhra Pradesh, Karnataka, Odisha, Telangana and West Bengal scored low in terms of functional and under implementation ICDs.

Maharashtra had the second-highest number of functional Container Freight Stations (CFSs) (40), as at November 2016, seconding only Tamil Nadu (48), and was followed by Gujarat (23). Other states under consideration scored relatively low in this regard. Andhra Pradesh had the highest number of CFSs under implementation at eight, followed by Gujarat and Tamil Nadu at five, and Maharashtra at three.

Inland Container Depots and Container Freight Stations As at November 2016				
	Inland Container Depots		Container Freight Stations	
	Functional	Under Implementation	Functional	Under Implementation
Andhra Pradesh	2	0	5	8
Gujarat	7	1	23	5
Karnataka	0	2	7	0
Madhya Pradesh	7	0	0	0
Maharashtra	7	4	40	3
Odisha	2	1	0	0
Rajasthan	7	1	2	0
Tamil Nadu	9	1	48	5
Telangana	1	1	2	1
Uttar Pradesh	8	2	9	0
West Bengal	1	0	10	2

Source: Ministry of Commerce & Industry Annual Report 2016-17

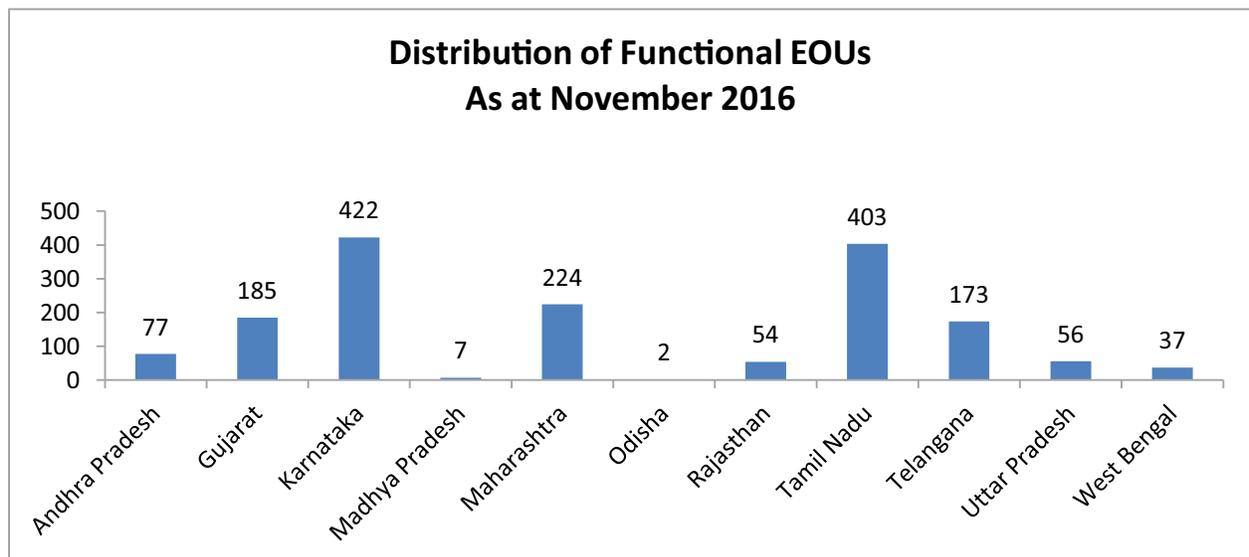
Note: Karnataka also has an air-freight station under implementation

Maharashtra had the second-highest number of formal approvals for Special Economic Zones (SEZs) at November 2016 (55), following only Karnataka (62), and was followed by Telangana (52) and Tamil Nadu (48). Maharashtra also had the highest in-principle approvals for SEZs at nine. It topped the number of notified SEZs (50), and had the third-largest number of Exporting SEZs (26), following Tamil Nadu (36) and Telangana (27).

Distribution of approved Special Economic Zones As at November 2016				
	Formal Approvals	In-principle Approvals	Notified SEZs	Exporting SEZs
Andhra Pradesh	29	4	24	19
Gujarat	28	4	24	18
Karnataka	62	0	41	25
Madhya Pradesh	9	1	5	2
Maharashtra	55	9	50	26
Odisha	7	0	5	3
Rajasthan	9	1	8	4
Tamil Nadu	48	4	46	36
Telangana	52	0	44	27
Uttar Pradesh	24	1	19	11
West Bengal	7	2	5	7

Source: Ministry of Commerce & Industry Annual Report 2016-17

In terms of number of functional Export Oriented Units (EOUs) as at November 2016, Maharashtra (224) was way behind Karnataka (422) and Tamil Nadu (403); however it scored much higher than Odisha, Madhya Pradesh, West Bengal, Rajasthan, Uttar Pradesh and Andhra Pradesh. Maharashtra was followed by Gujarat (185) and Telangana (173).



Source: Ministry of Commerce & Industry Annual Report 2016-17

Export Infrastructure for Perishable Commodities

Maharashtra is a leading producer of several agriculture products such as sugar cane, banana, grapes, guava, onion, mangoes, oranges etc. There is tremendous potential to export these products after value addition. While the state is a leading exporter of wines produced using table grapes, there is still unexplored potential for export. Italy, despite being smaller than Maharashtra in terms of land size, is the largest wine exporter in the world. Maharashtra is also the leading producer of cut flower in India. However, India is nowhere in the list of top 10 exporters of cut flowers. Netherland, which is hardly 13 per cent as large as Maharashtra in terms of land size, is the largest exporter of flowers in the world. Government of Maharashtra must encourage farmers growing flowers and other horticultural crops to add value to them and export to world market.

The following table lists out district-wise export potential of perishable commodities in Maharashtra:

Districts	Potential Export Sectors (in Perishable Commodities)
Ahmednagar	Dairy-based products
Pune	Fruit Processing, Dairy-based products
Sangli	Processing of Grapes, Tomatoes, Pomegranates, Papaya, Mango; Dairy products
Kolhapur	Dairy and Milk products
Beed	Dairy-based products
Nanded	Fruit/Vegetable processing
Osmanabad	Starch from Jowar
Buldhana	Mango – Jam, Pickles, Jellies, Sauces, Ketch-up, Juice etc. Sweets of Orange, Sweet lime & Mango
Wardha	Fruits processing industry from Sweet lime, Banana, Lemon, Papaya, etc.
Bhandara	Mango processing; Bakery Products
Gondia	Mango Processing
Jalgaon	Baby Food based on Banana
Nashik	Fruit Juice / Jam / Jellies / Ketchup; Grape processing
Sindhudhurg	Fish canning, Mango Processing / Canning
Raigad	Fish products and Dry fish
Ratnagiri	Mango canning, Coconut shells powder, Bottling of juice
Source: Industrial State Profile of Maharashtra, MSME-Development Institute, Government of India	

While on the one hand, Maharashtra contributes 19 per cent to India's total agriculture exports (including grains, fruits, vegetables and flowers) in terms of quantity and 25 per cent in terms of value², on the other, it has hardly three per cent of the cold storage capacity of the entire country. States such as Uttar Pradesh, West Bengal and Gujarat lead in cold storage capacity for agricultural produce.

² APEDA data for 2016-17



Leading States in Cold Storage Infrastructure as on March 31, 2017		
State	Number	Capacity (Million Metric Tonne)
Uttar Pradesh	2299	14.18
West Bengal	512	5.95
Gujarat	764	2.90
Punjab	660	2.16
Andhra Pradesh & Telangana	442	1.78
Bihar	306	1.42
Madhya Pradesh	300	1.26
Maharashtra	604	0.98
Haryana	338	0.75
Karnataka	198	0.56
Kerala	198	0.08
All India	7645	34.95

Source: Ministry of Food Processing Industries, Government of India, Press Release Dated 25-July, 2017

Recommendations

1. Investment Competitiveness

While Maharashtra shows good investment potential in industries such as textile, food and agro-based products, drugs and pharmaceuticals, and plastic products, it is a relatively slow runner in heavy industries such as petroleum products, metal and metal products and machinery. In the petroleum products industry, Maharashtra's (Konkan Region) West Coast Mega Refinery project worth Rs. 256,520 crore, estimated to be completed by December 2022, is in shaky waters due to objection raised by the villagers and farmers that it will destroy the rich flora and fauna in the region and create health hazards for its residents. Keeping environmental concerns in sight, Maharashtra should step up new investments in heavy industries and expedite their completion so as to garner large projects in the state. Further, there is a strong need to bring about regional development so as to bring about equitable distribution in the profits earned by the state.

Maharashtra ranks the highest in terms of investment efficiency among the major states, as inferred through the study. However, while the state has improvised in terms of environmental registration enablers and single window clearance, the number of clearances required in setting up a business can be further brought down. Also, there should be faster resolution of Non-Performing Assets (NPAs) in order to make room for fresh investments. In case of bankruptcy, instead of selling off the assets of the defaulter (which only means changing hands and taking a cut in the outstanding dues of the creditors), debt securitization can be a viable option where the creditors float a financial instrument backed by the assets of the companies that have turned into NPAs, and market it to investors in lieu of interest.

The Goods and Services Tax is a good move in unifying the market which can bring down costs of raw material, however there is still a lot of scope in streamlining it for better compliance, and rationalizing the rates to bring more companies under the tax net and widen the tax base in order to increase the export-competitiveness of

Maharashtra. Although the GST Council is planning to bring petrol and diesel under the GST regime, it is not likely to happen any time soon as all the state governments need to agree on a common GST rate for petrol and diesel. VAT on petrol and diesel is a major source of revenue for state governments and hence it may take a fairly long time to build consensus among all the states on a common GST rate. Therefore, as long as petrol and diesel remain outside the GST net, industries in Maharashtra will continue to spend more on these two fuels compared to other states because of high VAT.

Before the GST regime, the government of India offered tax exemptions such as rebate of excise duty to companies such as in the automobile, pharmaceutical and FMCG industries, investing in the hilly states of Jammu and Kashmir, Himachal Pradesh and Uttarakhand, and the North Eastern states, to promote industrialization in these areas. However, with the introduction of GST, these exemptions may not be available for new investments as the government aims to create a unified market throughout India. Therefore, these states are likely to lose their attractiveness in terms of low tax destination under the GST regime. As a consequence, companies are looking for investment opportunities in states such as Gujarat which are investment-friendly. Government of Maharashtra must take cognizance of the declining attractiveness of the hilly and North-Eastern states and attract fresh investments in these industries.

2. Infrastructure Development

Maharashtra ranks highest in terms of investment in infrastructure projects as at April 2017. It fares better than many other states in terms of transport infrastructure facilities such as road and rail network, however there is room for improvement in order to bring down costs and make its exports price-competitive in the international market. There is a need to develop the minor multi-purpose, multi-cargo, all weather, direct berthing ports like Dighi port and the surrounding area with multi-modal logistics to ease pressure on the major ports. The government's thrust

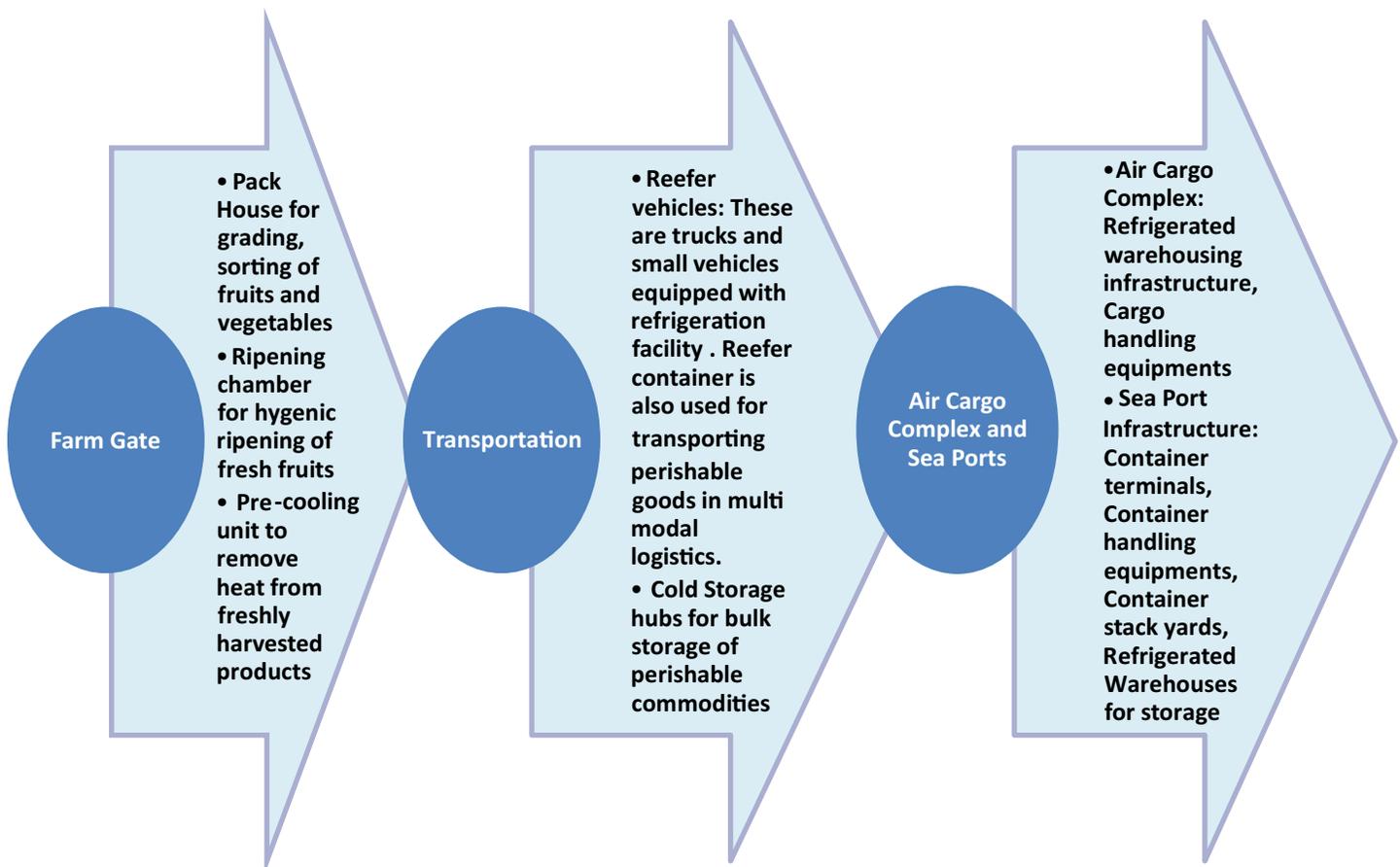
to major infrastructure development projects such as Sagarmala, Bharatmala, DMIC and DFC can improve inter-state connectivity and augment exports in the state. Further, there is a need for increasing per capita availability of power and meeting power deficit during peak hours. The state also needs to be competitive in terms of cost of power for industrial users. While the state fares well in terms of export infrastructure such as Container Freight Stations, Inland Container Depots, and Notified and Exporting SEZs, which are vital to a state's export competitiveness, it needs to promote export-oriented units to set shop in the region.

In the agriculture sector, the Government of Maharashtra must facilitate exports of perishable commodities such as fruits, flowers and vegetables by strengthening export infrastructure such as pack houses, cold storage warehouses, refrigerated transportation, air cargo facilities and port facilities. Perishable cargoes such as fruit, dairy and vegetable

pass through various stages of supply chain from farm gate to the port or air cargo complex for export. The following diagram illustrates the infrastructure required in these stages of the supply chain:

As per a report released by the Agricultural and Processed Food Products Export Development Authority (APEDA) in September 2017, there is a need to augment perishable cargo handling capacity at Mumbai airport. The report also highlights the need to use container train services for transporting grapes from production centres to ports or air cargo complex. Currently, export cargo of grapes is transported largely through road in Maharashtra. By shifting to rail transport, the per unit logistics cost can be reduced in the grape sector, the report argues. Further, Government of Maharashtra must also focus on increasing the number of pack houses, cold storages and ripening units.

Export Infrastructure for Perishable Goods



3. Skill Enhancement, Encouragement of R&D and Promoting Entrepreneurship

Maharashtra is home to a number of higher education institutions and vocational training centres. However, the quality of education and training provided in many of these institutes does not meet the skill set demanded by businesses and many students that pass out are unemployable. The government should therefore, promote the use of latest technology in training and impart necessary skills to the students that can improve their productivity and efficiency. The quality of education in industrial training institutes and other vocational training centers should be improved in order to make the people of Maharashtra ready for the upcoming jobs.

India's National Skill Development Corporation (NSDC) has set up the Life Sciences Sector Skill Development Council (LSSSDC) to promote skill development in pharmaceuticals, biotechnology and clinical research sectors. State governments in Himachal Pradesh, Kerala and Uttar Pradesh have signed Memorandum of Understanding with this Council to enhance supply of skilled labour in their states. Government of Maharashtra has set up the Maharashtra State Skill Development Society with an aim to equip 45 million persons with employable skills by the year 2022. We suggest that this Society must partner with the LSSSDC to promote skill development in the pharmaceutical sector. The Society, together with LSSSDC must work with the employment exchanges and higher education institutions in the state for training youth in the pharmaceutical industry. The Society should also partner with other Skill Development Councils to impart necessary skills to the students in Maharashtra.

Further, the government should promote research and development (R&D) in order to make the products and services produced in the state saleable or adaptable in the world market by harmonizing the standards to align with international demand. It should set up incubation centres for MSMEs and start-ups through the public private partnership (PPP) mode, under which the private institution or private company will offer faculty and venue for training, while the government can subsidize the training cost. Such a centre can offer

management and technical training of international repute to MSMEs and start-up companies, which can then participate through value-addition in trade.

Many employers in the informal and MSME sector, which are the largest contributors of employment and hold a major share in exports, tend to keep the firm size small to avoid legal hassles associated with hiring permanent employees that can organize into trade unions to get their demands met. Further, the MSMEs are increasingly switching to automation to keep up with the competitive international market, where time and cost overruns due to labour inefficiency and labour demands can cost them dearly. Owing to the regressive nature of the prevalent labour laws, these companies refrain from scaling up and are unable to meet the economies of scale required to be cost-competitive in the export market. There is a pressing need to address the regressive labour laws in Maharashtra in order to bring more and more employees in the formal sector net so that they enjoy a decent standard of living by taking up regular, and not seasonal or occasional, jobs as stringent labour laws have deterred many companies from entering the organized sector, while those in the organized sector are increasingly switching to capital-intensive technology. Thus, in order to improve employment and exports, Maharashtra needs an enabling environment which protects the interests of the employees, while not discouraging employers from hiring, and promotes entrepreneurship.

4. Steps to promote exports through e-commerce

a. Creating awareness about benefits of e-commerce: There are several e-commerce companies that enable local enterprises access global markets for their products and services through online platforms.

E-commerce companies such as GoCoop.com, Etsy, Amazon and Craftsvilla have enabled India's micro, small and medium enterprises, rural artisans, co-operative societies, and women-owned enterprises sell their handmade products to foreign buyers. Local companies can list their products on these online marketplaces and attract buyers from throughout the world. Government of India also encourages export of goods through e-commerce by providing incentives for

exports upto Rs 25,000 through this mode under the Foreign Trade Policy 2015-20. Many local enterprises in rural and urban areas may not be aware of these e-commerce platforms and the government's incentive programmes to sell online. Therefore, Government of Maharashtra must work with the District Industries Centres in disseminating information to these local enterprises.

b. Partner with e-commerce firms: E-commerce companies such as Shopify guide local companies on how to create online stores (by creating websites), list products, upload images of the products and manage inventory. These companies also sell softwares that enable local companies to receive payments from foreign buyers online. Government of Maharashtra must partner with such e-commerce companies to offer training on online marketing to local MSMEs at subsidized cost. Such training programme can help local companies identify potential overseas markets for their products and also guide them on the customs formalities. Already, District Industries Centres in the state are implementing Entrepreneurship Development Training Program to train unemployed people. The scope of this program should be expanded to include training on international digital marketing.

c. Online Platform for Marhati Emporium: MSSIDC has been offering marketing support to village industries and rural artisans who are registered with it across the state. The corporation provides marketing support for handicrafts made of metals, wood, leather, paper and other products through its Marhati Emporium in Mumbai, Aurangabad and Delhi. In future, Marhati Emporium can set up online platform to sell these goods to foreign buyers. Marhati Emporium can also tie up with banks and payment infrastructure companies to enable online payment by foreign buyers.

5. Outreach Programmes

Maharashtra is famous for traditional handicrafts such as the lacquer ware crafts in Sawantwadi, leather works in Kolhapur, Paithani sarees of Yeola, Narayan Peth sarees of Solapur and so on. In order to leverage the specialization of these regions, the Industries Department of the Government of Maharashtra must

conduct outreach programmes such as awareness workshops and training programmes on international trade across various districts and villages. Through these outreach programmes, the Government must inculcate the habit of export in the informal enterprises that produce these crafts as many of these informal enterprises are not aware of the procedure to secure Import Export code, shipping and customs procedure for exports, the procedures for labeling goods based on international standards and potential foreign markets for their goods. Many farmers and artisans in Maharashtra have not thought of exporting their goods because of lack of knowledge on the above matters.

There is a need to create awareness among these potential exporters about the benefits of export and the procedures for export. Further, there is a need to create a behavioural change in these farmers and artisans from production for self-consumption to production for exports. Dr. Richard H. Thaler, Professor of Behavioural Science and Economics, The University of Chicago is the proponent of the nudge theory. With this theory, Dr. Thaler has influenced policy makers in the UK to devise policies that encourage individuals to make decisions that are in their long term self-interest. He was one of the founders of Behavioural Economics and his seminal contribution to this field has earned him the Nobel Prize for economics in 2017.

According to Dr. Thaler, there are instances where individuals and businessmen behave in an irrational way, which may not serve their self-interest. Nudge theory has emphasized the role of governments in devising policies that encourage individuals to make rational decision choices. This theory has immense practical relevance, especially for state governments that aim to promote industrialization and exports. Many farmers and small enterprises in Maharashtra can benefit from government policies in these regards.

Model Export Promotion Policy:

Except for a few states, most states do not have a dedicated policy to promote exports. In the past, Government of India has released model policies or legislations on various subjects to serve as a template for state governments to adopt. For example, the

central government rolled out model Agricultural Land Leasing Act, 2016 and model Agricultural Produce Market Committee (APMC) Act. The central government also framed the Model Shops and Establishment (Regulation of Employment and Conditions of Service) Bill, 2016 and allowed states to adopt it with or without modifications.

Similarly, Government of India can also release a model export promotion policy, which will serve as useful template for state governments to adopt. State governments may adopt this model policy by making suitable modification to suit the local needs of the state.

Such a top-down approach in policy making allows uniformity in policies and legislations across all states while also providing flexibility to states to tweak certain provisions to suit their specific requirements.

Strengthening role of state governments:

Policy makers have a major role to play in encouraging potential exporters to explore the global market. India's export policy has largely been steered by Government of India as international trade comes under the purview of the central governments. State governments, however, have a major role in providing crucial inputs to the central government's policy structure of international trade.

Policy Inputs from state governments:

A substantial portion of export policy falls under the purview of the central government. These include deciding tariffs on imports and exports, streamlining customs clearance procedures, signing trade agreements with foreign countries and so on. The role of state governments in this regard is minimal or negligible. For instance, state governments can provide inputs on the competitive advantage of the industries in their states to Government of India before the latter negotiates free trade agreement (FTA) with foreign countries.

Apart from trade agreements, Government of India makes frequent changes in the export and import policy based on the changing market condition. For instance, Government of India bans exports of certain commodities or imposes minimum export price (MEP) on such commodities, especially farm commodities (if there is shortage of the commodities in domestic market). However, before taking such measures, the central government must hold consultation with state governments to ensure that producers of the commodity in different states are not affected by these measures.

In its draft Export Promotion Strategy released in September 2017, Agricultural & Processed Food Products Export Development Authority (APEDA) remarked that frequent changes in export policy can affect the reliability of India's agriculture goods suppliers in the international market and hence Indian exporters may lose their global market share. A recent study³ by the Indian Council for Research on International Economic Relations (ICRIER) shows that India's trade policy in the agriculture sector has been anti-farmer, in the sense that, the policy has not allowed local farmers to benefit from better price realization in the global market.

In this context, we recommend Government of India to hold consultations with state governments before making any change in the export policy. During the consultation meeting, state governments must present the views of the farmers and industrialists in their states. This will enable the central government to take a well-informed decision on trade policies.

Apart from providing policy inputs, state governments can take various measures that can supplement the efforts of the central government in promoting exports. The following chart illustrates how central and state governments can co-ordinate in the areas of export policy, export infrastructure and export institutional mechanisms.

³'Price Distortions in Indian Agriculture', By Shweta Saini, Senior Consultant and Ashok Gulati, Infosys Chair Professor for Agriculture at Indian Council for Research on International Economic Relations (ICRIER), New Delhi



Role of Central Government and State Governments in Promoting Exports

Export Policies	Export Infrastructure	Export Institutional Mechanism
<p>Central Government</p> <ul style="list-style-type: none"> • Foreign Trade Policy • Trade agreements • Trade Facilitation • Commodity-specific export policies • Sector-specific policies • Make amendment to Central Government SEZ Act and Rules <p>State Government</p> <ul style="list-style-type: none"> • Export Promotion Policy • Sector-specific Policies • Make Amendments to State Government SEZ Act, Rules and Policies 	<p>Central Government</p> <ul style="list-style-type: none"> • Enhance capacity of Major Port • Enhance Capacity of National Highways • Enhance Railway Infrastructure • Enhance capacity of air cargo complex • Enhance Inland Container Depots/Container Freight Stations <p>State Government</p> <ul style="list-style-type: none"> • Enhance Capacity of Non-Major Ports • Enhance Capacity of State Highways and district roads • Multi-Modal Logistics Park 	<p>Central Government</p> <ul style="list-style-type: none"> • Export Promotion Councils • Commodity Boards • Board of Trade <p>State Government</p> <ul style="list-style-type: none"> • Set up district level export promotion committee • Set up panel of experts (which include market study consultants, digital marketing experts, experts on EXIM finance etc.)

Dedicated Export policy for Maharashtra: Currently, Government of Maharashtra does not have a dedicated policy to promote export. The state government indirectly improves the competitiveness of exports and export-oriented industries through its Industrial Policy 2013, Single Window Clearance Policy 2016, Maharashtra IT & ITeS Policy-2015, Maharashtra Special Economic Zone Policy and so on. The Directorate of Industries, Government of Maharashtra has taken effective measures (over and above the measures of the central government) to promote exports from the state. Some of these schemes are financial assistance to participate in global exhibitions and awarding meritorious exporters.

Existing Export Promotion Measures and Proposed Measures for Government of Maharashtra

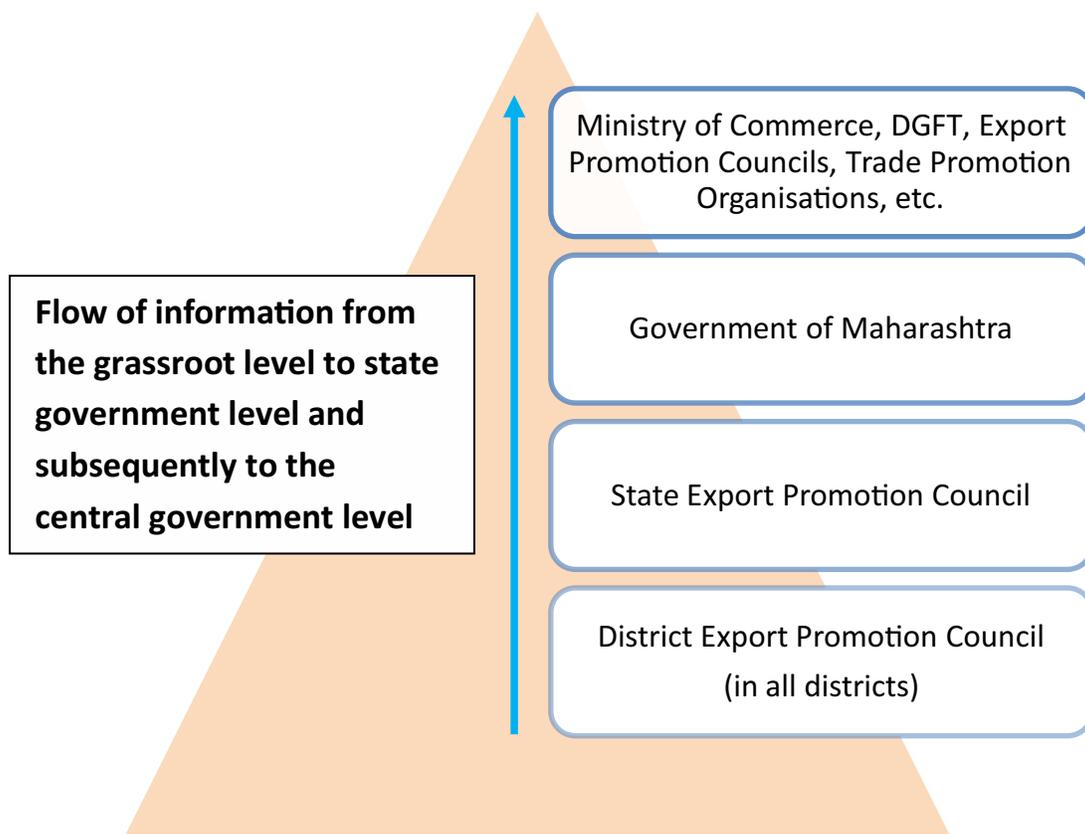
Existing Policy Measures	Recommended Policy Measures
<ul style="list-style-type: none"> • Provides 50% ground rent subsidy to small scale units for participating in international exhibitions held by approved organisations. • Instituted Awards for outstanding exporters • Released Maritime Development Policy 2016 to improve port infrastructure and coastal shipping • Package Incentive Scheme (PSI) 2013 for eligible units • Implementation of Single Window Scheme through MAITRI (Maharashtra Industry, Trade and Investor Facilitation Cell) 	<ul style="list-style-type: none"> • Introduce Dedicated Export Policy • Such a policy must offer incentives over and above the existing Package Incentive Scheme (PSI) 2013 • Set up District Export Promotion Committee • Conduct outreach programmes through District Export Promotion Committee • Identify export infrastructure projects for central government's grants under Trade Infrastructure for Export Scheme (TIES)

We suggest Government of Maharashtra to consider the following measures as well to enhance export from the state. There are 34 District Industries Centre (DICs) across Maharashtra. These centres, along with Maharashtra Small Scale Industries Development Corporation (MSSIDC), can play a major role in implementing the following measures.

District Export Promotion Committee: Government of Maharashtra must also consider setting up export promotion committees in all the districts in the state. There are two options available to set up these committees. These committees can be set up as a unit of the District Industries Centers (DICs) in every district or they can be set up as independent unit without any affiliation to the DICs. District Export Promotion Committee must be manned by a person who has sound knowledge on the industrial profile of the district, the export potential of the district and the export infrastructure available in the district. The roles and responsibility of the District Export Promotion Committee is listed as below.

Roles and Responsibilities of District Export Promotion Committee
1. Prepare sector-wise data base of exporters in their district
2. Conduct open house meeting with exporters in the district at a regular interval to identify their challenges
3. Communicate the challenges so identified from the open house meeting to the appropriate authority or agencies. If the challenges are related to customs procedure, taxation or foreign trade policy, then it must be communicated to DGFT office in Mumbai. If the challenges are related to infrastructure, it must be communicated to Directorate of Industries, Government of Maharashtra. If the challenges are related to skill development, marketing assistance etc, it must be communicated to Ministry of MSME, Ministry of Skill Development and Entrepreneurship, Government of India.

Hierarchy of Export Promotion Institution under state government



Annexure

In this section, we provide glimpses of the policies and institutions established by some of the state governments to promote exports from the state. Presently, most state governments do not have a policy focused on export and instead they included export promotion as one of the objectives in their overall industrial development policy. Karnataka and West Bengal were the first states, in 2003, to introduce a dedicated policy to promote exports. The focus areas of the export policies of these two states were 1) setting up institutional mechanism, 2) creating export infrastructure and 3) devising sectoral strategies to promote exports.

In recent years, many state governments have realized the need to introduce a dedicated export promotion policy. In 2014, Government of Odisha notified its export policy to promote exports from focus sectors such as agro-based industries, handloom, handicrafts, marine products etc. This was followed by the Export Promotion Policy of Jharkhand. Government of Gujarat is planning to introduce a five-year export promotion policy to increase the share of the state in the overall export of India. The following table illustrates the policies or institutional mechanisms of some states to promote exports.

States	Policies or Institutions	Lessons for Maharashtra
Telangana	<p>Government of Telangana released the Draft Export Promotion Strategy. The draft strategy envisages the following –</p> <p>Set up export grievance cell</p> <p>Constitute single window clearance committee for all approvals related to export operations</p> <p>Create export hubs in different places and equip them with necessary infrastructure</p> <p>Create interactive website containing data on exporters in the state, export potential of the state, export procedures and so on</p>	<p>Create interactive website</p> <p>Set up export grievance cell</p>
Karnataka	<p>One of the few states to have a designated nodal agency Viz. Visvesvaraya Trade Promotion Centre (VTPC) to promote exports.</p> <p>VTPC conducts export awareness programmes across districts</p> <p>VTPC conducts export management training programmes</p> <p>VTPC conducts various facilitation programmes such as</p>	<p>Set up an institution for engagement with exporters</p>

States	Policies or Institutions	Lessons for Maharashtra
	Open House Meeting, Interactive Sessions, Seminars and Workshops to handhold existing and prospective exporters	
West Bengal	<p>Government of West Bengal has been promoting exports from the state through the West Bengal State Export Promotion Society (WBSEPS). The society was formed in 1996 under the name 'The State Export Promotion Board (SEPB)' and was subsequently renamed as WBSEPS.</p> <p>The society works in close collaboration with the Export Promotion Councils and Trade Promotion Organizations of India. It links domestic companies with overseas buyers and also assist them in resolving trade disputes.</p> <p>WBSEPS organizes training programmes and awareness workshops to handhold local enterprises in the business of international trade.</p>	Set up an institution for guiding exporters through training programmes and other outreach initiatives
Jharkhand	<p>Government of Jharkhand introduced Export Promotion Policy in 2015. This policy envisages the setting up of Regional Export Promotion Committee (REPC).</p> <p>Among other functions, REPC will prepare a district-wise database of exporters. The committee will also identify existing industries with potential to export.</p> <p>REPC is also responsible for addressing local problems of the exporting organisations and agencies.</p>	Prepare district-wise database on exporters and identify industries with potential to exports.

Expert Opinion

Maharashtra's competitive advantage in attracting investments

Mr. Sanjay Sethi, Chief Executive Officer, MIDC

The country's number one business destination, India's financial capital and the most industrialized state are few adjectives that define Maharashtra, and the state has worked hard to achieve and sustain the same. Being an industrial powerhouse the state is always on the anvil of prospective investors both within and outside the country. Substantiating this fact are the figures which state that, in terms of Cumulative Inflows of Foreign Direct Investments (FDI) (April '00 – December '16), Maharashtra has garnered 30% of the total share and contributes close to 15% of the Indian GDP, on an average.

To enhance the position even further, the state had undertaken various initiatives be it in policy reforms, simplifying doing business norms, regulatory reforms, creating world class industrial infrastructure which will act as strong foundation on which there can be robust and sustainable economic growth. Creating robust industrial infrastructure for current and future needs of the state is where MIDC comes into picture. MIDC has the mandate to achieve balanced industrial development of Maharashtra, provide for infrastructural development of each and every district in state and facilitate entrepreneurs to setup industries at various locations.

MIDC till date has set up close to 264 industrial parks spread over 84,000 hectares of land spanning across the state. This has resulted into more than 60,000 industries setting up their production facilities in the state. The key role played by MIDC includes the following:

- **Aggregates** otherwise disparate industrial development efforts within one body that can generate real expertise and track record of delivery
- **Increases the pace and agility** of the state's response to investors/developers
- **Leverages its presence** (16 regional offices spread across 264 industrial complexes) to enlarge the

scale of industrial development and investor facilitation

- **Provides access to a single window system** for land application and allocation to boost the ease of doing business in the state and boost external investment
- Focuses on **holistic development** of the state in each region through the development of industrial clusters (Ex: Mumbai-Thane for IT/ITeS and logistics, Pune for Auto and Electronics System Design and Manufacturing (ESDM) etc.)
- **Improves the investment-readiness** of key city projects, developing the propositions to make them more attractive to external investment
- **Provides specialized and sustainable infrastructure** such as the development of industrial parks (Ex: Food, IT/ITeS parks, Textile, Wine etc.) , designated chemical zones and commissioning and management of CETP's and CHWTSDF's for effective treatment of industrial waste

To give a brief of activities carried in order to simplify procedures, bring more transparency, and enhance investor handling MIDC has recently implemented a Geographic Information System (GIS) system along with details of available infrastructure (road, water and gas pipelines, etc.). MIDC has in place an online land application process reducing human touch points and increasing investor convenience. It also has implemented software based system for building plan approval, online process of granting Construction Permit, third party certification of structural design, architectural drawings for reducing the turnaround time.

MIDC thus facilitates in the creation of an enablement of environment and infrastructure for accelerated growth of industries in the state. Furthermore, taking into consideration the long term industrial growth of the state and for building a resilient infrastructure and

encouraging private investments in the infrastructure space, MIDC has also undertaken to promote Integrated Industrial Areas (IIA) and Integrated IT Townships (IITTs). These townships will have higher FSI usage and promote the concept of 'Walk to Work', in line with the idea of smart cities. A total of 39 MoUs worth a proposed investment of – INR 1.12 lakh crore (as of FY 2016) has been signed for building IIAs, IITTs and other industrial parks.

Speaking about the export performance, Maharashtra is and has always being a trailblazer. A recent report by noted trade body ASSOCHAM, states that Maharashtra along with Gujarat account for more than 46 per cent of the merchandise consignments from the country. Exports wise, Maharashtra is the best performing state, the state's exports to the world (up to Nov 2016) amounted to INR 2,87,007 Crores, whereas Maharashtra's share in India's exports to the world (up to Nov 2016) stood at 25.79%, both the above figures are a testament to the fact that Maharashtra has strong exports performance and a robust infrastructure to support the same. Infrastructure wise Maharashtra has 2 major and 53 minor ports contributing to 21.76% of total cargo transport in India, 9.3% of total railway network in the country with 2 major railway zones, 3 international airports and 7 domestic airports and 18 national highways. Cost and efficiency of the transport

system is of paramount importance for the competitiveness & success of export-oriented businesses and Maharashtra with its long coastline, seamless connectivity and port capacity with deep draft is bound to have a competitive advantage as an export hub.

Furthermore, the ease of doing business norms (EoDB) play a very crucial role in attracting investors into the state and Maharashtra is again amongst the top-10 performers. The state's top reform areas, as per the latest findings released by Department of Industrial Policy and Promotion (DIPP), include access to information and transparency enablers, single window, availability of land, construction permit enablers and environmental registration enablers. All the above actions have increased the international competitiveness of the state.

Thus, we believe that creating world class industrial infrastructure, policy reforms, simplifying doing business norms etc. will definitely boost investor confidence, increase foreign investments into the state and help Maharashtra to consolidate its position as a premier investment destination in the country.

Doing Business in Maharashtra: Some key recent developments

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Introduction

Maharashtra's potential as a prospective investment destination can be attributed to a variety of factors such as progressive state governments at the State level; a growing economy; large and diversified infrastructure spread across the state and skilled human resources.

The Assessment of State Implementation of Business Reforms, conducted by the World Bank in September

2015 ranked Maharashtra at rank 8 with an overall implementation score of 49.43%.⁶ This report acknowledges several good practices being implemented in Maharashtra to facilitate ease of doing business. For example, Maharashtra is one of the few states where the single window mechanism is supported by a truly effective online portal called Maharashtra Industry Trade & Investment Facilitation Cell (MAITRI).

In this article, we analyse some of the recent regulatory

reforms undertaken in Maharashtra for ease of doing business and also provide certain suggestions to be considered by the Government of Maharashtra to make Maharashtra an investment hub.

Ease of Doing Business in Maharashtra: Recent Reforms
Incorporation Process: A new incorporation form Spice 32 has been introduced, which facilitates incorporation within 1-2 days. This form also facilitates tax registrations (that is, Permanent Account Number (PAN) and Tax Deduction Number (TAN)). No separate applications now need to be made for PAN and TAN. The standard form charter documents are available in form Spice 33 and Spice 34.

Regulatory Reforms undertaken: The number of processes for setting up a business has been reduced from 48 (forty eight) to 7 (seven) recently. The things that are included in the list are construction time, electricity connection, registration of property and quality of work. The number of days required to get permissions related to electricity have been reduced to five, with an intent to further reduce it to three.⁷

Time for clearances: The various permissions related to the construction of a project used to take around 170 days. However, post recent reforms introduced, the number of days has now been reduced to 60. Similarly, registration of property, which used to take 45 days, can now be undertaken within a period of 22 days.⁸

Environment Clearance: Online portal for environmental clearances has been introduced by Maharashtra Government recently.

Labour Law Reforms: With a view to relaxing rigidity and inconvenience as well as to increasing transparency, the Ministry of Labour and Employment, Government of India has launched the Unified Shram Suidha Portal. The online portal will provide a unique identification code to all employers and will serve as a one-stop shop for compliance and inspection under almost 45 (forty-five) labour laws in the country. The

portal enables employers to file their returns online as well as to co-ordinate inspections mandated under various laws. In a noteworthy step towards transparency, all reports of inspections will be uploaded to the portal. Nearly 1,000,000 units have already been registered on this portal.

Dispute resolution: Dispute Resolution remains a key area which plagues most of the states including Maharashtra. The time taken for dispute resolution by enterprises can vary from less than 1 year to 13 years. The enactment of the Commercial Courts, Commercial Divisions and Commercial Appellate Divisions Act of 2015 with an intent to resolve commercial disputes in an effective and time-efficient manner and the enactment of the Insolvency and Bankruptcy Code 2016 is another attempt by the Government to introduce global insolvency practices and have a quick redressal mechanism for the increasing number of non-performing assets in India. The setting up of the Mumbai Centre for International Arbitration which can resolve disputes between different companies or individuals is another step towards establishing the city as an international investment and arbitration hub.

Concluding Remarks: Where are the bottlenecks?

Contract enforcement is one area where like all states Maharashtra needs to get better at. Contracts lie at the base of all business relationships in any sector and are fundamental to the growth of the state. Hence, effective enforcement of contracts is the key to gaining investor confidence in the business environment in the state. The Maharashtra government may consider the following to improve contract enforcement in India:

A) Model Form of Contracts to be introduced. Standard terms which are easily enforceable should be drafted and incorporated in this model contract. This can go a long way in ensuring that contracts are executed without much ambiguity and with an attempt to reach certain level of standardization. The Department of Industrial Policy and Promotion in its guidelines to

⁶ World Bank Report on State of Maharashtra

⁷ <http://www.asianage.com/metros/mumbai/120717/maharashtra-aims-for-better-ranking-in-ease-of-doing-business.html>

⁸ Ibid.

states has also made this recommendation.

B) Considering making arbitration as a mode of dispute resolution compulsory for all contracts in Maharashtra. Also, as highlighted in the NITI Aayog-IDFC Report ("IDFC Report") on ease of doing business in India, it is imperative to create awareness of the reforms introduced so that the enterprises for whose benefit these reforms are introduced are in a position to avail these benefits. For example, IDFC Report highlights that among the start-ups, which are of recent origin, only 20% report using single window systems for setting up a business and only 41% among the experts have reported having the knowledge of the existence of the single window facility.

One of the other findings of the IDFC Report is that labour-intensive sectors experience greater difficulty than those in capital-intensive sectors and this requires Government attention and calls for regulatory reforms in this area. Labour compliances need to be further eased. In this context, the proposed Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill, 2016 is a step in the right direction and should enable labour intensive industries to achieve higher productivity.

[Views taken in this article are personal views of the authors and do not necessarily represent the views of the Firm.]

Doing Business in Maharashtra

Mr. Krrishan Singhania, Singhania & Co.

Maharashtra is the premier state in India because of its investor-friendly environment. It has consistently been ranked the best among major Indian states in various Investment Climate Assessment surveys, especially in terms of having better infrastructure, less corruption and a relatively deregulated business environment.

Maharashtra is one of the larger states in the country in terms of land area (third largest in the country accounting for 9% of India's land area) and is also dominant in terms of contribution to the Indian economy. Various economic parameters for Maharashtra over time have been examined and compared- with the other leading industrial states of the country viz. Andhra Pradesh, Gujarat, Karnataka and Tamil Nadu. These 4 states along with Maharashtra account for 50% of Indian industry.

Infrastructure

One of the major challenges for investors is the availability of infrastructure. It is therefore essential that infrastructure projects that enable smooth transportation of products across various territories be expedited so that projects do not run into problems like

cost and time overruns. Further, connectivity of the ports in the state with the major industrial centers needs to be improved. Besides, upgradation of infrastructure viz. power supply to bring about uninterrupted supply of power to industries need be undertaken in order to retain and augment the manufacturing facilities set up by large industrial houses in the State.

Compared to other states Maharashtra has a strong infrastructure, an ideal destination for setting up of industries. Captive power plants, water supply, roads, waste management, drainage and effluent treatment at a very nominal rate is assured by the state government body resulting in multiple returns. It has 36 districts divided into six revenue divisions. Maharashtra's infrastructure sector has grown significantly over the last decade, with a substantial rise in -the number of industrial clusters and public-private partnership (PPP) projects.

Labour

Being India's second densely populated state, catering world's best of the university, Head offices of major MNCs are some of the reasons that have resulted in the

availability of Managerial, skilled and Semi- skilled manpower making it an ideal destination for knowledge based and manufacturing sectors. The unskilled industrial labor is also easily available through the local villages around Industrial Township. The state is one Of the most industryfriendly states with one of the lowest labor disputes which is the backbone of the industrial sector in Maharashtra. The Government of Maharashtra has fixed the minimum wage for each industrial area.

Ease of doing business

With respect to Maharashtra conducting business operations, according to "The Assessment of State Implementation of Business Reforms", Maharashtra is considered one of the favored destinations for establishing business activities and thus considered one of the prime locations for ease in doing business. There are several good practices being implemented in Maharashtra to facilitate ease of doing business.

For example, Maharashtra is one of the few states where the single window mechanism is supported by a truly effective online portal called MAI TRI.

Maharashtra is also considered of being the only state other than Gujarat to implement computerized risk assessment for environmental inspections. Randomized risk-based inspections and self certification for labour and environmental clearances have been introduced.

Other reform measures include:

- Online portal for environmental clearances set up recently.
- Significant changes have been made in some labour legislation. Hiring limit for contract labour has been extended from 20 to 50 under the Contract Labour (Regulation and Abolition) Act, 1970 without requiring permission of the labour commissioner for registration and other clearances. Definition of "factory" under Section 2 of Factories Act, 1948 has been amended empowering the state government

to increase the number of workers from 10 to up to 20 (where manufacturing carried on with the aid of power) and from 20 workers to up to 40 (where manufacturing carried on without the aid of power). More such changes are on the anvil.

- Large-scale digitization process of government services is underway. The state government also plans to make available online about 250 more government services in due course.

As a result of these reforms, Maharashtra shows great promise to stand #1 in the next state-wise rankings. This fact has been acknowledged by ASSOCHAM in a study which placed Maharashtra as the most attractive investment destination in India, overtaking Gujarat.

Investment-friendly industrial policies, excellent infrastructure and a strong and productive human resource base have made Maharashtra a favored destination for manufacturing, export, and financial service sectors. In addition to this, the state covers one tenth of India's land with second densely populated area resulting in one of the largest consumer market. Not only this but the state also caters the majority Of the leading industrial manufacturing units of different sectors attracting investors and increasing in the number of FDI making a state the stronger contributor in GDP of the country.

Certain legal reforms have to be introduced in order to maintain Maharashtra as a prime state for conducting business:

1. Establish commercial courts in districts of Maharashtra in order to resolve commercial disputes within the state.
2. Increase the use of "English" as a medium of communication apart from 'Marathi' so that foreigners who are interested in the state of Maharashtra feel at ease in communicating.
3. Increase in the Police force to feel a sense of protection and for enforcement of law and order.

Board's Achievements on Ease of doing Business

Dr. P. Anbalagan, Member Secretary, Maharashtra Pollution Control Board

Maharashtra Pollution Control Board (MPCB) is implementing various environmental legislations in the state of Maharashtra, mainly including Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981, Water (CESS) Act, 1977 and some of the provisions under Environmental (Protection) Act, 1986 and the rules framed there under like, Biomedical Waste (M&H) Rules, 1998, Hazardous Waste (M&H) Rules, 2000, Municipal Solid Waste Rules, 2000 etc. MPCB is functioning under the administrative control of Environment Department of Government of Maharashtra.

Some of the important functions of MPCB are:

- To plan comprehensive program for the prevention, control or abatement of pollution and secure executions thereof,
- To collect and disseminate information relating to pollution and the prevention, control or abatement thereof,
- To inspect sewage or trade effluent treatment and disposal facilities, and air pollution control systems and to review plans, specification or any other data relating to the treatment plants, disposal systems and air pollution control systems in connection with the consent granted,
- To inspect sewage or trade effluent treatment and disposal facilities, and air pollution control systems and to review plans, specification or any other data relating to the treatment plants, disposal systems and air pollution control systems in connection with the consent granted,
- Supporting and encouraging the developments in the fields of pollution control, waste recycle reuse, eco-friendly practices etc.
- To educate and guide the entrepreneurs in improving environment by suggesting appropriate pollution control technologies and techniques

Regulatory functions

- Consent to Establish and Operate under Water Act, 1974 and Air Act, 1981
- Authorization under Hazardous Waste Rules, 2008, Bio-medical waste Rules, 1998, Municipal Solid Waste Rules 2000, Plastic Rules, 2006

Enforcement and compliance

- Air and liquid effluent discharge standards through proper vigilance (visits & samplings)
- Legal actions including Directions & Bank Guarantee's in case of non-compliance

Common Waste Disposal Facilities

- To promote common infrastructure facilities for Waste management i.e. CETP, CHWTSDF, CBMWTSDF

Environmental Monitoring and Surveillance:

- Water quality and ambient air quality monitoring network
- Noise levels monitoring

Public Awareness and information dissemination

Steps taken by MPCB under Ease of doing Business & Make in India initiatives”:

The perception of people towards treating Environment related compliances as one of the major hurdles in ease of doing business especially with respect to the time involved in securing such permits / consents / clearances thereby not only hampering India's growth but also industrial contribution towards economy. MPCB being the apex State body regulating such permits for setting up of new industry in Maharashtra and in tandem with the Hon'ble Chief Minister's vision to carry forward "Make in Maharashtra" campaign has initiated reforms to simplify the entire consent management process end-to-end, including consent approvals (Consent to Establish, Consent to Operate and Consent to Renew approvals), returns as well as authorizations (for

Biomedical Waste (BMW) and Municipal Solid Waste (MSW)). This reform underlying the simplified consent management process is transformational in nature and is an example of a best practice for “ease of doing business” conceptualized and implemented by MPCB.

After announcing of “Make in India” Program Maharashtra Pollution Control Board has initiated action towards implementation of “Ease of doing Business & Make in India initiatives”. M.P.C.B Board has initiated various progressive steps to help industries in getting permissions/NOC/Consent by simplifying licensing processes and adopting computerized Consent application processing for reducing time of processing., Randomized risk based inspection & sampling, Auto renewal scheme for consent as per the reforms suggested by DIPP towards implementation of “Ease of doing Business & Make in India initiatives”. In order to have speedy disposal of the consent / authorization and to encourage the entrepreneur to set up the industry in the State of Maharashtra the Board has taken following proactive initiatives.

Reduction in time span for processing to expedite disposal/grant of Consent and Authorization:

MPCB has shortened the time limit from 120 days prescribed in the enactment to 60 days for processing of consent application to expedite disposal/grant of consent at different levels as:

SRO level : Disposal time is 30 days
 RO & HOD level: Disposal time is 45 days
 CC/CAC level : Disposal time is 60 days

1. Upload inspection report within 48 Hours:

MPC Board has issued circular dtd. 13/05/2015 towards uploading of visit report on Board’s IMIS system within 24 hours by Field Officer. Further considering the practical difficulties corrigendum has been issued on 01.03.2016 regarding uploading the inspection report within 48 Hours instead of 24 Hours. As per the circular the inspection report will be uploaded on Board IMIS system within 48 hours.

2. Introduce a system for online application:

The online portal has been developed and put into operation from 1st Feb-2016. This allows online application and payment without the need for a physical touch point for document submission and verification. The Proponent will get information about their application status through email and SMS. The provision is also there to make the payment online through E-Payment Gateway, RTGS and NEFT. The Proponent can download their consent document from the portal also views their documents, visit report, instruction letter etc online. This services has also been integrated Aapale Sarkar Portal.

3. Randomized Risk based inspection & sampling:

The field staff of MPCB Board is mandated for periodical collection of samples from polluting industries in general and high pollution potential industries in particular. Limited manpower available with the Board and discretionary sampling of industries has posed limitations on effective performance of pollution control from polluting activities in the state and to address the increased risk to the environment due to polluting industries MPCB has targeted large and medium scale industries classified as Red and Orange category industries for visit and sampling. Also the main objective include is to identify wilful defaulter through surprise visits which will be pursued for suitable legal actions.

To ensure the transparency and strong monitoring mechanism of the Field Officers performance, Board has decided to introduce the “Randomized Risk Based Inspection & Sampling (RRBIS)” through software based tool for selection of industries based on pollution potential. List of the industries for sampling and inspection for each Field Officer shall be generated for his jurisdiction through Randomized Risk based inspection & sampling software and same shall be monitored through automated software based tool. In this regard the circular has already issued on 15/06/2015. The program is running successfully.

4. Scheme of Auto-Renewal of Consent based on self-certification for Red, Orange & Green Category industries:

Earlier, Board vide Office Order dtd. 30/01/2012 has implemented auto-renewal policy for all Categories of industries coming under purview of CAC/CC only. It was thought the work load about consent management can be further substantially reduced by extending the scheme of auto-renewal for all the remaining Red, Orange & Green Category of industries. Accordingly, decided to implement Auto-Renewal Policy for all categories of industries i.e. Red, Orange & Green Category industries. The Corrigendum to the above circular has been issued on 03.12.2015 and the Auto-Renewal scheme is made applicable based on self-certification for all the remaining Red, Orange & Green Category industries.

5. Simplified Consent Application form for Green Category industry:

The Board has decided to introduce Simplified Consent application form for obtaining Consent for 'Green' category of industries. The eight pages Consent application form has been simplified and reduced to two page by removing unnecessary filed so as to ease the project Proponent while applying for consent.

6. Uniform Integrated Enforcement Policy for Consent Management

In order to further facilitate transparency, integration of post-consent application cycle, filing of complaints, damages, severity, penalties, remediation costs, etc. Maharashtra is the first State to publish and implement an Enforcement Policy through MPCB. The simplified consent management process is anchored by Uniform Integrated Enforcement Policy for Consent Management and supported by "ec-MPCB" web portal and randomized risk-based inspections methodology. Not only the policy simplifies inspection and sampling needs but it also enables entrepreneurs to lower scrutiny period of such application from 120 to 60 days (speedy), empowers industries through provision of appeals against non-grant of consent, eases self-certification for renewal and finally online grant of

consent with minimum period of 5 years for Red category and 6years for Orange/Green category of industries thereby resulting in immense resource optimization at both the ends of MPCB as well as industry. Finally, such policy shall not only render speedy approvals but also shall support sector specific approach for pollution control through very well defined actions for non-compliance, unambiguous & clear premises for BG regimes.

7. Grant of Renewal of Consent to Operate for a minimum period of Five Years for Large/ Medium scale and a minimum period of Three Years for Small scale industries excluding Sugar industries:

Maharashtra Pollution Control Board has decided to grant renewal of consent for a minimum period of Five Years for Large/ Medium scale and a minimum period of Three Years for Small scale industries excluding Sugar industries to ease the process, to have a uniform approach and thereby avoiding frequent repetition of Consent renewal application after it's expiry of short period. The Consent granting Authority shall renew Consent to Operate of Large/ Medium scale of Red category industries for the minimum period of Five Years and for the minimum period of Six Years of Large/ Medium scale of Orange & Green category industries. In case of Small Scale Red & Green category industries, renewal of Consent to Operate shall be granted for the minimum period of Three Years and for Small scale Orange category industries a minimum period of Four Years shall be taken into consideration so as to ease the levying of the Consent fees as per the prevailing Circulars. This will help the officers of the Board to have enough time to concentrate more on monitoring and pursuing compliance of various conditions imposed in the consent. This will also reduce the unnecessary follow-up of the Project Proponent with the Authority granting consent and thereby they will also able to concentrate on their business activities and compliance of environmental norms.

Capt. Ramanujam, CEO, Logistics Sector Skill Council
Written Interview

Government of India is implementing the Western Dedicated Freight Corridor Project (Dadri, Uttar Pradesh to Jawaharlal Nehru Port, Mumbai). Once completed, how will this project improve the competitiveness of Maharashtra?

Before we talk about the DMIC we must understand that Logistics activity is an inescapable enabler for manufacturing and has a symbiotic relationship. Manufacturing needs good logistics and good logistic connectivity will increase manufacturing throughput.

The DMIC will:

a) Give impetus to manufacturing especially at the two ends of the corridor i.e. in the NCR, North Indian States of UP, Uttarakhand etc and in the hinterland of the Port in Maharashtra (refer point c below)

b) Increase the velocity and quantum of cargo movement. This means there will be a greater need for Logistic Intermediaries in terms of Freight Forwarders, CHAs, Warehouses/ ICDs and CFS and of course the last mile handling and road transportation. These intermediaries will be at the two ends of the freight corridor and obviously Mumbai will be one of the ends.

c) The Port hinterland will need to expand beyond its present boundaries. The bigger it becomes the more the volume of cargo that would be handled. Not only that many value added services such as assembly, kitting labelling and packaging. These will offer substantial tertiary employment.

d) Increasing frequency of calls by Vesselsto evacuate and load cargo at the Port Terminal will further enhance the velocity of cargo movement which then will become a self sustaining cycle. It will also tend to increase the cargo catchment area.

e) All this will generate substantial indirect employment

f) The critical and key issue will be the hinterland

connectivity by road. Considering the frequency and bigger vessel size due to increased sea depth at the fourth terminal the evacuation and cargo aggregation capability can be met only if there is substantially enhanced hinterland connectivity. After all it is like a supply chain and the strength of it is determined by the weakest link which is the hinterland connectivity. Infact it is said that a Port is as good as its hinterland connectivity.

How is Maharashtra positioned in terms of modern infrastructure such as multi-modal logistics parks to cater to EXIM Cargo?

Multimodal transportation is a big issue pan India for the following reasons:

a) Inability of Rail cargo carriage in a speedy and efficient manner other than dedicated freight corridors

b) Very shallow depths available on Inland waterways make it ineffective for cargo carriage unless there are specially designed vessels.

c) Coastal Shipping hampered by multiple regulatory provisions as well as the absence of North bound cargo

d) Tariff issues in Air Cargo handling viz Cargo Terminal and Air Freight Stations.

e) Lack of unitized cargo manifests across multi modes.

f) Standardized Documentation and its validity across multiple modes is suspect.

g) Specific to Maharashtra while there has been lot of Private Sector participation to develop Minor Ports such as Dighi, Jaigarh, Ratnagiri, connectivity to the hinterland is poor and Rail connectivity non-existent.

All the above factors though resolvable is still not solved due to the silo functioning of Govt Departments. There is a need to address issues case by case. There is a case for creating a Multimodal Logistics Ministry

subsuming the Departments connected with Road, Rail and Air Cargo.

How do you rate the existing logistics infrastructure such as inland container depot and container freight stations?

Despite the fact that there has been no structured training and the fact that below supervisory cadre is only trained on -job for less than a week duration, the Private sector which has chiefly been responsible for setting up the ICDs and CFSs has contributed substantially both for realizing the throughput of the Port and also for a reasonably efficient operations given all the shortcomings.

A major problem has been the sudden policy shift directives such as the recent 'direct to Port' pronouncement which disrupts business sometimes positively but mostly negatively.

A major problem especially for JNPT has been the congestion on the roads connecting the Port to hinterland. There is an urgent need to create welfare facilities such as Rest rooms for the Drivers.

How can latest technologies such as robotics, artificial intelligence, big data and others improve logistics efficiency in Maharashtra?

- Robotics- Robotics are best utilized when the entire process is digitized and there is high volume transactions and warehouses are designed with

robotic operations in mind. E Commerce segment has started building automated warehouses where 'pick and place' robots have a big role.

- Artificial Intelligence- The nature of work done in the storage area/ Terminals/ Warehouses will determine the need for artificial intelligence. Most warehouses and terminals have built in logic circuits with SCADA and DCS which are sufficient for the requirement. In such locations Neural networks utilizing artificial intelligence will be an over-kill.
- Big Data- In India the bigger problem is the Data Collection and unless that is available no analytics can be done.

How do you assess the port infrastructure in Maharashtra; how is the ship turnaround time in Major and Minor ports of Maharashtra vis-à-vis other states?

The performance of JNPT has been improving with very high berth occupancy. Such high berth occupancy results in congestion at harbours.

Is there scope for developing coastal shipping and inland waterways in Maharashtra?

Of course there is scope for improvement of coastal shipping and barge movement along coasts. In fact, in Mumbai barge operations are ongoing. This needs to be scaled up.

Export competitiveness of Maharashtra in Gems and Jewellery Industry

Mr. Tamal Guchait, Project Development Manager, Gem & Jewellery Skill Council of India

Maharashtra has always been favored for the production of gems and jewellery to supply to the global demands.

Manufacturing Infrastructure

SEEPZ Special Economic Zone located in the heart of the

Mumbai city is a readymade infrastructure for Gems and Jewellery manufacturing, where about more than 100 organized companies employing more 1,00,000 artisans are operating and are already catering to the global demands.

Zaveri Bazaar is the oldest traditional cluster for

handmade jewellery making and Cast and Diamond set jewellery manufacturing in India. Therefore, it is an important location for India to serve the increasing demand for handmade jewellery globally.

There is a tremendous rise in demand for silver jewellery across the globe. Hupari near Kolhapur district is the largest producer for silver jewellery in India that produces about 500 metric tons of silver jewellery just to serve the domestic market. GJSCI has proposed up-skill the artisans of this region to be more efficient in terms of cost, production time quality to supply silver jewellery to the global market.

Transportation and Connectivity

Mumbai has been recently crowned as the busiest single runway airport with a flight taking off in every 65 seconds. Most of the international flights entering the country and leaving the country is through Mumbai.

Known as the Front Bay, Meaning 'The Gateway of India', Mumbai is also the largest and has been the most important port for Import Exports. Therefore, Maharashtra enjoys transportation of raw materials of as well as finished goods at a less investment in time money and resources.

Jewellery manufacturing locations in Maharashtra are well connected to World's largest Diamond processing

zone, Surat by rail as well as road. The upcoming bullet train project between Ahmedabad and Mumbai flagged off by our Prime Minister is yet another advantage that would add on the gems and jewellery sector established in the West zone.

Areas for Improvement

- **Dearth of Skilled artisans in Maharashtra**
 - In the recent years the industry has observed a sudden downfall in the number of skilled artisans in the industry. This is due to two reasons.
 - Due to high rise in property rates and high cost of living near manufacturing zones, the skilled artisans are migrating to other industries and other locations.
 - Due to lack of robust training infrastructure there is a scarcity of young skilled resources in industry.
- **High Cost of Production**
 - Most of the jewellery manufacturing companies in Mumbai have shut down due high cost of production occurred due higher overhead costs such as higher electricity rates etc.
 - This is a major reason why our export oriented companies are not able to compete with countries China and Vietnam.

Ensuring Maharashtra's Competitiveness in Retail through Skill Development

Mr. Bijay Sahoo, Group President HR, Reliance Industries, Founder & Ex-chairman RASCI (Retail Skill Council of India), Co-chair, FICCI Skill Development Committee

Maharashtra has immense potential to be competitive in retail sector. Out of Maharashtra's Gross State Domestic Product (GSDP) of over USD 300 billion, over half i.e. USD 150 billion comes from consumer spending which flows in through retail sector; thus making the sector vital for the state's economy. Across India, there are over 40 million workers employed/ self-employed in retail including

organized and unorganized segments. Out of this, around 4 million are in Maharashtra and the number is likely cross 5 million by 2022.

The beauty of retailing is that it's a simple business involving buying, moving and selling. Correspondingly, the core skills in the sector include store associate, supply chain and buying/merchandising. None of the

retail jobs require high educational qualifications. Youth with SSC or even school dropouts can make decent careers in retail. Therefore, for inclusive growth, Maharashtra government should promote the youth in the state to get skilled in retail.

While the entry level educational requirements are low, the sector requires multiple soft-skills for customer service such as good personal grooming, etiquettes and communication. The specialized categories such as garment, jewellery and electronic goods which involve assisted selling thus requiring better soft-skills yield better salaries.

Developing retail skills will be an effective way to boost farmers' incomes and reduce agricultural distress in the state. The state government should create special programs for farmers and their children for retailing their produce effectively. Also they should be trained for jobs in organized retail such as buying & merchandising of agricultural produce.

Maharashtra has geographically central position in the country e.g. Nagpur is about to become logistics hub for the country. There is immense opportunity to develop skills for logistics, warehousing and transportation.

The retail industry has transformed with the advent of e-commerce. Globally including in India, we are now witnessing a convergence of physical and digital retail. Maharashtra with its strength in IT and a hub like Pune can play a pivotal role in developing high-end retail capabilities by focusing on retail domain specific training for IT engineers. Also the state should facilitate training of local Kirana storekeepers to use IT platforms to compete/ collaborate effectively with organized retail & e-commerce.

Maharashtra's above average per capita GDP and higher disposable income makes the state an attractive consumer market for retail. However, to ensure that Maharashtrian youth benefits from this demand, we need undivided focus on skill development.

Towards a supportive labour policy for MSMEs

Professor Dr. K.R. ShyamSundar, XLRI, Jamshedpur

Maharashtra has been the largest state economy in India and it leads in industrial development accounting for a lion's share of gross value added. It has been the leading recipient of FDI over the years and fares well in ease of doing business. In terms of gauging the skilled workforce, the indicators such as literacy (77%), the share of universities, colleges, technical institutions, business schools in Maharashtra indicates that it is well placed in terms of quantity. But what about quality?

I have three concerns here, viz. high numbers of migrant workers who possess little human capital endowments, the questionable employability of engineers and technical workers (specific skill) and graduates (generic), the inadequacies in the training institutions (ITI, etc.) – the government to overcome the deficit introduced earn and learn scheme with a subsidy to the firms which has been misused. There is a clear absence of skill needs mapping at the district level

by the industry associations and absence of institutional support to micro and small industries which actually become training centres (as workers learn skills here and leave for better jobs in bigger firms).

Apart from refreshing government-run ITIs, there is a need to establish more training centres on PPP basis. The Apprentices Act is the only law that caters to this and this is playing an insignificant role even after reforms to it recently. This avenue needs to be strengthened at the state level. Apart from DGE&T (central) there is no dedicated machinery at the state for skill development.

Export based industries adopt low-cost route and hence either robotize or use non-standard workers with little or no investment in the workers. There is no law in India that provides for compulsory skilling and making it mandatory on workers to reskill in the event

of technological change – section 9-A of the Industrial Disputes (ID) Act needs to be amended to provide for mandatory acceptance on the part of workers for reskilling, relocation etc. to aid technological change. Trade unions fight for retainment of employment numbers but not for skills. In the context of technological changes, trade unions fight for no retrenchment but do not prompt the employers to offer retraining or relocation, neither do they insist in collective agreement for mandatory training even for contract workers who are quasi-permanent. It is time they realize that skills are dynamic and hence all the three stakeholders, viz. government, unions and employers address this basis in a systemic and local level.

Minimum wages in the state remain unrevised save for half yearly revisions of special allowance which disincentivises on the supply side – the productivity boosting effects of sound wage policy would be greater than cost enhancement. Employers often irrationally fear raise in wages and other allowances and social security contributions as causing labour cost as they mostly resort to short-termistic cut cost policy. There is a high road to development through innovation, technological change, re-skilling, boosting productivity and so on.

They should realize that a sound wage policy (there is no wage policy in India or in any state) will, even while increasing labour cost, will lead to corresponding increase in efficiency (based on economic theories like

high nutrition, motivation, low labour quits, reciprocity and so on). This will neutralize wage rise. So, unit labour cost will reduce and aggregate demand expansion will take place through high purchasing power and higher labour/work force participation. Unit labour cost is the ratio between percentage rise in real wages and percentage rise in productivity - so wage rise has to be seen in relative terms and not in absolute terms.

Amending Chapter V-B or liberalizing inspections or simplifying returns or reform of contract labour law will not clearly aid lowering unit labour cost and enhance quality of labour. The state needs to have a sound credit policy for MSMEs (which are part of the supply chain), remove or liberalize non-labour controls, establish a dedicated skill development in the labour ministry, introduce laws concerning training apart from apprenticeships, revise minimum wages, provide subsidy to export based industries, reform education policies and governance, license labour contractors with a threshold capital (not on workers threshold), encourage productivity bargaining through state labour agencies and so on. The employers' associations need to anticipate technological changes rather than react to changes in a perilous manner and always hitting labour as the first strike. State subsidies for innovation must exist. Maharashtra perhaps has higher labour litigations thanks to Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 which needs reform (Srinivasan Committee report is pending action).

Creating an Enabling Environment for Maharashtra

Maharashtra 's export growth needs skills and labour policies to go hand in hand

Mr. Manish Sabharwal and Ms. Neeti Sharma, TeamLease Services Ltd.

Maharashtra, the commercial capital of India, has been renowned for its entrepreneurial spirit and has the distinct advantage of being the commercial capital of our country. It is also one of the wealthiest states in India contributing 25% of the country's industrial output. With 13% of India's overall GDP, Maharashtra state plans to make over 45 million youth employable by 2022.

Maharashtra has housed varied industries and industries such as Finance, Media, Food Processing, Chemical, Pharmaceuticals are key to the state's economy. This gives the state an edge in being able to develop and provide technical capabilities across industries and trades which can cater to global requirements.

The state needs to recognize the importance of providing education and skills for improved productivity, employment growth and development.

In order to make Maharashtra youth be globally competitive, we suggest Maharashtra to focus on few key areas:

Employment: The fastest route and the lowest hanging fruit for the State is to be able to identify global opportunities, provide short term skills & certifications which will make the youth employable in the global market. The state should focus on providing better infrastructure for skilling and create an enabling environment for the youth to migrate out of Maharashtra into other countries. The problem of getting a right job for a job seeker is higher in rural youth. The state employment exchanges should be used as career centres that will offer counselling, apprenticeships, assessments, training, job matching, visa processing and hand holding post employment.

Employability: There is a crying need to develop a large base of “skilled” employees before they enter the labour market. However, not much has been done in this regard. While the Maharashtra Government has amended its Apprenticeship Act, the state needs to focus on providing additional Apprenticeship opportunities across both Services and Manufacturing industries. The apprentices would be better candidates to meet the global requirements. A State Apprenticeship Corporation can be created which would become the nodal agency that would focus providing academic credit to all apprentices, expand the number of apprentices and a provide credit framework for all apprentices.

Education: At the lower & higher primary school level only 30% of schools are privately run , however at the high school level over 65% of the education is in private schools. Maharashtra should focus on increasing the number of schools across all levels, revamp their hardware (infrastructure, facilities etc) and software(curriculum, management etc.) , introduce innovative teaching, learning and assessments , use technology for teaching and management purposes, bring in SMEs to teach students, develop capacity for

teachers , upgrade and certify existing teachers and much more.

Fixing school education is key in the new world of work because reading, writing, arithmetic, soft skills, English language and communication are emerging as the most important vocational skills. The state should make provisions for students to be able to learn at least 2 skills while they are within the Education system that would make them Employable once they are ready to move out to the job market.

Maharashtra has the unique opportunity both within and outside our country to provide meaningful employment with 50% of population under the age of 25, Skill development, Education and labour reforms can transform Maharashtra. It is time the state took advantage of it.



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